Ambit
Asset Management

INVESTOR COMPASS

MAY 2023

# PAGE INDUSTRIES: TRUSTING THE JOCKEY

## Page Industries: Trusting the Jockey

Dear Patrons,
This edition of Investor Compass talks about Page Industries Q4FY23, our views on the company, and the course of action going forward.

## Results:

- Page Industries' revenues in Q4FY23 declined by 13% YoY primarily led by a decline in volumes on account of a weak demand scenario and supply chain disruption due to ARS (Auto Replenishment System) implementation across all the product categories.

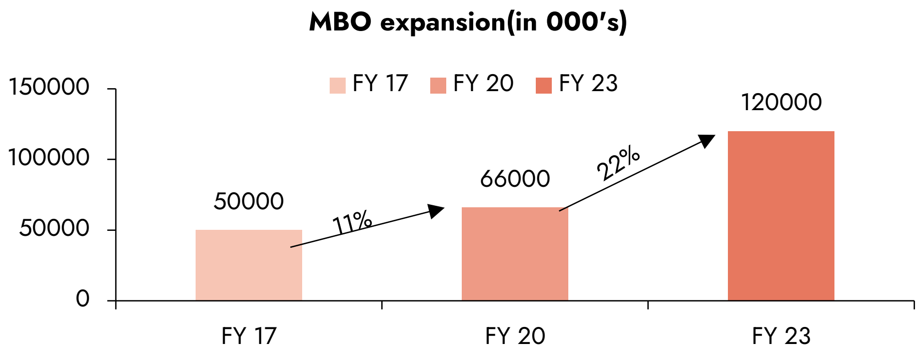
- EBITDA margin reduced to 13.9% (down 190 bps sequentially) due to operating deleverage along with normalized discretionary expenses i.e. advertisement expenses.

- The results were sharply below the street's expectations (PAT miss by 41%) plus moderate narrative for the near term resulted into a sharp correction in stock price (~10%) on 26th May 2023.

- Post the results, the street has also cut earnings to the tune of 12-15% for FY24 and 10-12% for FY25.

## Deep dive down the memory lane:

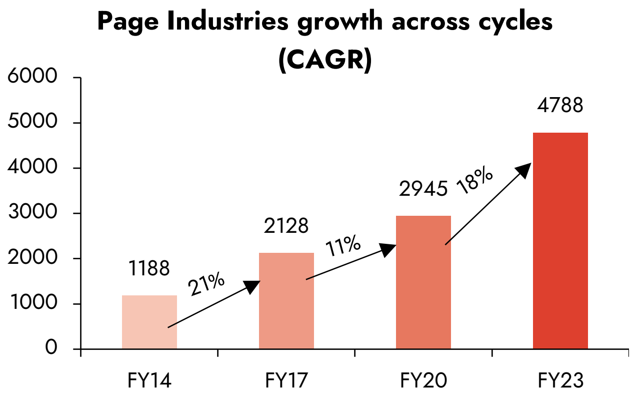
While the street is spooked by the earnings volatility, we believe the concerns are short-sighted.
We take precedence of 2017-20 when Page Industries' growth had been subdued. Page's growth reduced from ~21% CAGR from FY2014-17 to ~11% in FY2017-20 mainly due to a slowdown at the industry level, discontent among the distributors and rising competitive intensity(Van Heusen).




Source: Ambit Asset management, company

However, once disruptions subsided, the company grew 18% CAGR over FY20-23, much faster than the industry.

Even during the tougher times, Page Industries has managed to garner market share from organized and unorganized players, a testament to the company's execution.

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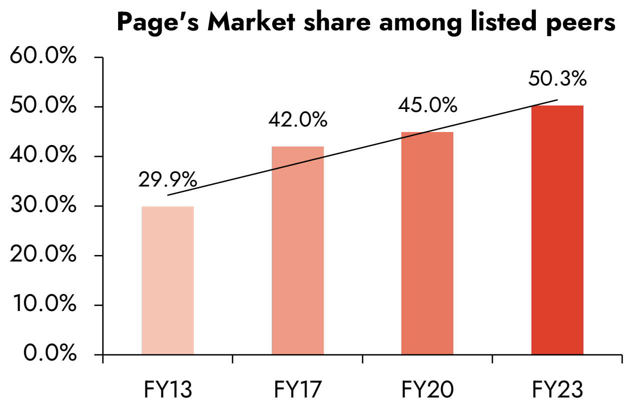



Source: Ambit Asset management, company

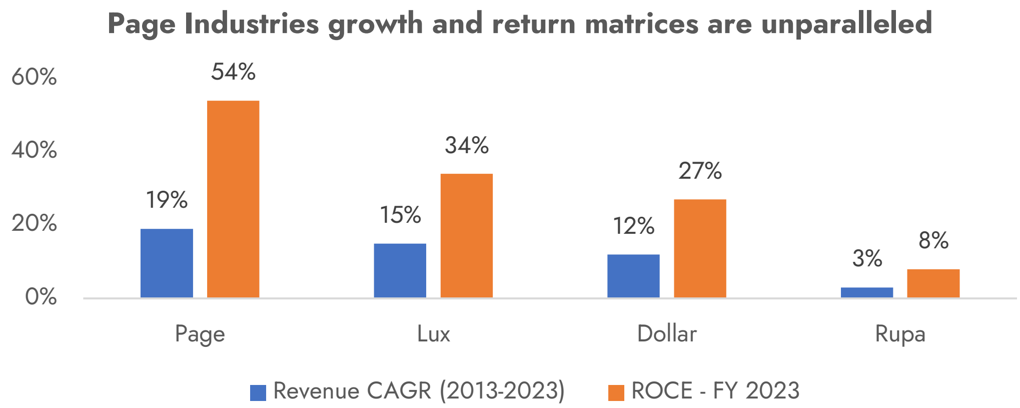
## Future Outlook:

- Though the near-term demand trends in the category are muted we anticipate that demand for innerwear will pick up in H2FY24 owing to moderating inflation & consumption picking up.

- ARS – It is a streamlined process that automatically restocks inventory based on predefined criteria at the retail outlet without manual intervention. As per management, the ARS implementation will take another 2 quarters leading to supply chain challenges in the near term, we believe this is a step in the right direction to further strengthen the competitive moats due to:
  1. Better demand forecasting, optimization of channel inventory & reduction in lead time
  2. Improvement in working capital resulting into better operating cash flows.

- Page Industries historically has managed to outpace the market by focusing on branding and distribution both in terms of growth and financial matrices.

- The ARS implementation will further strengthen the competitive moats




Source: Ambit Asset management, company

We believe Page Industries is ideally placed to face the near-term hiccups and come out as a stronger franchise, with lower penetration levels, men's wear (18%) & other categories (2%-6%).
The current short-term pain is temporary in nature and will lead to long-term gains.

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You may contact your Relationship Manager for any queries.

The performance data for coffee can product between 6th march 2017 - 19th June 2017 represents model portfolio returns. First client was onboarded on 20th June 2017. The performance data for G&C product between 1st June 2016 to 1st April 2018 also includes returns for funds managed for an advisory offshore client. Returns are calculated using TWRR method as prescribed under revised SEBI (Portfolio Managers) Regulations, 2020