

Rating matrix		
Rating	:	Hold
Target	:	₹ 28880
Target Period	:	12 months
Potential Upside	:	-7%

What's changed?		
Target	Changed from ₹ 25550 to ₹ 28880	
EPS FY19E	Changed from ₹ 397.7 to ₹ 410.8	
EPS FY20E	Changed from ₹ 511 to ₹ 526	
Rating	Unchanged	

Quarterly performance					
	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Revenue	815.3	696.9	17.0	608.4	34.0
EBITDA	189.3	136.5	38.6	146.8	28.9
EBITDA (%)	23.2	19.6	363 bps	24.1	-92 bps
PAT	124.4	85.3	45.9	94.2	32.1

Key financials				
₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	2,129	2,551	3,079	3,781
EBITDA	413	541	690	874
Net Profit	266	347	458	587
EPS (₹)	238.7	311.1	410.8	526.0

Valuation summary				
	FY17	FY18	FY19E	FY20E
P/E	130.7	100.3	75.9	59.3
Target P/E	121.0	92.8	70.3	54.9
EV to EBITDA	84.4	64.3	50.3	39.8
Price to book	19.6	15.4	12.6	10.2
RONW (%)	40.0	41.0	44.2	45.8
ROCE (%)	51.6	57.2	60.8	63.4

Stock data	
Particular	Amount
Market Capitalisation (₹ Crore)	34,800.1
Debt (FY18) (₹ Crore)	49.6
Cash (FY18) (₹ Crore)	66.9
EV (₹ Crore)	34,782.7
52 week H/L	25779 / 14124
Equity Capital (₹ Crore)	11.2
Face Value (₹)	10.0

Price performance				
	1M	3M	6M	12M
Rupa & Co	10.1	-1.2	-5.5	-3.0
Lovable Lingerie	5.3	-19.3	-38.9	-39.9
Ashapura Inti.	1.2	-2.6	0.7	14.3
Page Industries	9.3	32.4	47.4	93.9

Research Analysts	
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Page Industries (PAGIND)

₹ 31200

Strong operational performance sustains...

- Page Industries continued its stellar run with results coming in above our estimates across all parameters
- Revenues grew robustly by 17% YoY to ₹ 815.3 crore (I-direct estimate: ₹ 805.2 crore). Revenue growth was driven by volume growth of 8.7% to 50.4 million pieces and realisation growth of 7.6% to ₹ 160/piece
- With positive operating leveraging kicking in owing to robust topline growth, employee and other expenses (as percentage to sales) declined 127 bps and 169 bps YoY, respectively. Resultant EBITDA margins grew significantly by 363 bps YoY to 23.2% compared to 19.6% in Q1FY18 (I-direct estimate: 21.4%). Absolute EBITDA grew 39% YoY to ₹ 189.3 crore
- Higher other income (up 79% YoY to ₹ 7.2 crore) further boosted PAT growth. Resultant PAT grew 46% YoY to ₹ 124.4 crore

Balanced mix of volume, realisation growth drives revenues

Menswear, which contributes 55% to total volumes, witnessed soft volume growth of 6.2% YoY to 27.9 million pieces in Q1FY19. However, realisations for the segment improved 9.2% YoY to ₹ 135/piece, leading to 16% value growth to ₹ 375.8 crore. With a view to fortify the product portfolio for its leisure segment, Jockey has launched new athleisure range for men & women. Leisure segment that contributes 27% to total sales, registered healthy volume and realisation growth of 12% (7.1 mn pieces) and 7% (₹ 306/piece) respectively, leading to robust revenue growth of 20% YoY to ₹ 216.7 crore. The women's segment (10% of sales) reported revenue growth of 15.5% YoY to ₹ 83.8 crore (7% volume and realisation growth each). Brassiere segment revenues grew 13% YoY to ₹ 79.9 crore driven by 4.3% volume growth to 2.7 million pieces & 12.6% realisation growth to ₹ 301/piece. Speedo reported weak volume growth of 4%, while 7% realisation growth led to 12% YoY to ₹ 20.1 crore. Socks reported robust revenue growth of 35% YoY to ₹ 29.4 crore on the back of 32% volume growth to 4.1 million pieces.

Aggressive store expansion plan on the cards for FY19-20E

For FY18, Page added 119 stores (including nine exclusive Jockey Women stores) taking the total store count to 470 exclusive branded outlets (EBOs). Going forward, Page has chalked out aggressive store expansion plans wherein the management expects to take the total store count to 1000 stores by FY20E even covering tier II/III cities. Furthermore, with the recent foray into kid's category and new launches into leisure wear segment, exclusive stores would facilitate cross-selling.

Upbeat growth, ripe valuations; maintain HOLD

In recent times, Page has increased its proportion of outsourced goods from ~20% in FY17 to 30% in FY18. Going forward, the management aims to further enhance the proportion of outsourced goods to ~50% by FY20E. Higher outsourcing has led to an improvement in working capital cycle (inventory days declining by ~26 days to 81 days) and greater generation of cash flow from operations. We continue to like Page, given its industry best asset/turnover ratio, superior RoCE, robust CFO and controlled working capital days. We build in revenues and PAT CAGR of 22% and 30%, respectively, in FY18-20E. We reiterate our **HOLD** rating on the stock, with a revised target price of ₹ 28880 (55.0x FY20E EPS).

Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
Revenue	815.3	805.2	696.9	17.0	608.4	34.0	Volume growth was at 8.7%; realisation grew 7.6%
Other income	7.2	4.8	4.0	78.8	7.3	39.7	
Employee Expense	107.8	101.5	101.0	6.7	98.6	9.4	Lower employee expenses on account of higher proportion of outsourcing of products
Raw Material Expense	367.4	380.5	318.7	15.3	227.5	61.5	
SG&A Expenses	150.8	151.4	140.7	7.2	135.5	11.3	
EBITDA	189.3	171.9	136.5	38.6	146.8	28.9	
EBITDA Margin (%)	23.2	21.4	19.6	363 bps	24.1	-92 bps	Positive operating leverage and decline in employee expense resulted in margin expansion
Depreciation	7.3	7.8	6.7	9.0	7.6	-4.1	
Interest	4.0	4.5	4.5	-11.3	4.4	-10.8	
PBT	185.3	164.5	129.4	43.1	142.1	30.4	
Tax Outgo	60.8	57.6	44.1	37.8	47.9	27.0	
PAT	124.4	106.9	85.3	45.9	94.2	32.1	Strong operating performance led to a beat in our PAT estimates

Key Metrics

Menswear Volume (Mn pcs)	27.9	28.0	26.3	6.2	19.4	43.9
Womenwear Volume (Mn pcs)	8.5	8.5	7.9	7.5	6.1	39.8
Brasserie Volume (Mn pcs)	2.7	2.8	2.6	4.3	1.7	53.8
Leisurewear Volume (Mn pcs)	7.1	6.7	6.3	11.7	5.6	25.4
Speedo Volume (Mn pcs)	0.3	0.3	0.3	4.0	0.2	30.0
Average Realisation (₹)	159.8	163.0	148.5	7.6	163.9	-2.5

Source: Company, ICICI Direct Research

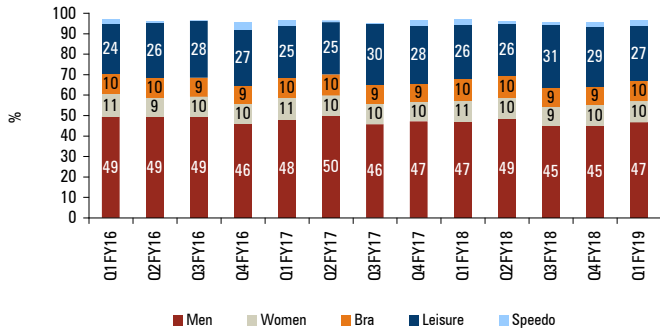
Change in estimates

(₹ Crore)	FY18 Actual	Old	FY19E New	% Change	Old	FY20E New	% Change
Revenue	2,551.4	3,139.0	3,078.7	-1.9	3,877.9	3,781.2	-2.5
EBITDA	540.7	671.0	690.0	2.8	853.0	874.1	2.5
EBITDA margin (%)	21.2	21.4	22.4	103 bps	22.0	23.1	112 bps
PAT	347.0	443.5	458.3	3.3	570.0	586.7	2.9
EPS (₹)	311.1	397.7	410.8	3.3	511.0	526.0	2.9

Source: Company, ICICI Direct Research

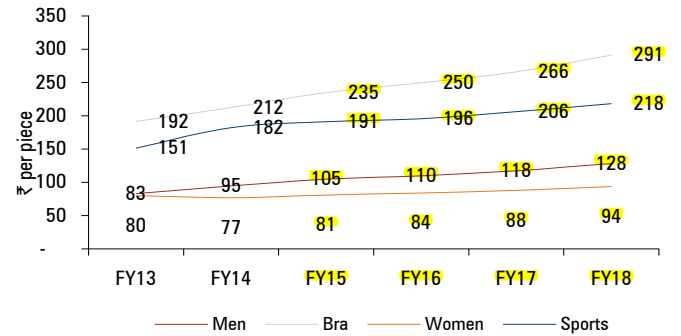
Company Analysis

Exhibit 1: Revenues dominated by men's segment...



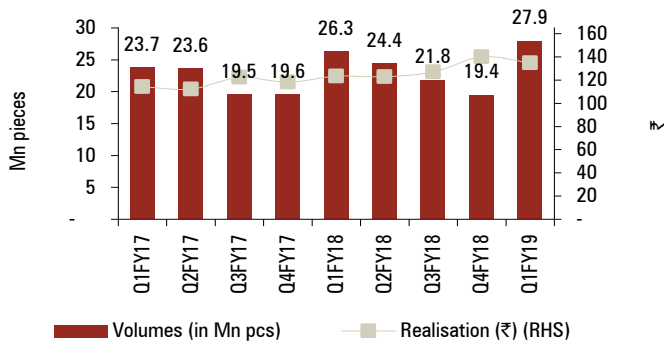
Source: Company, ICICI Direct Research

Exhibit 2: Realisation growth to negate impact of high cotton prices



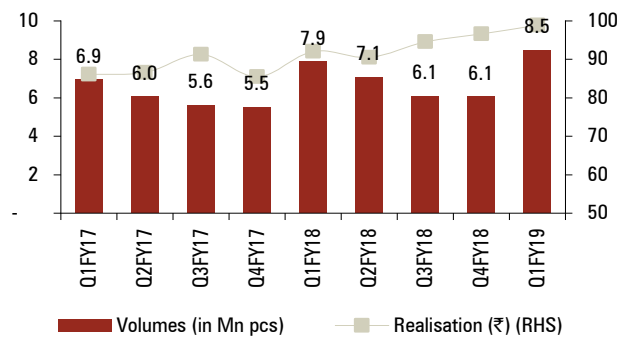
Source: Company, ICICI Direct Research

Exhibit 3: Men's segment witnesses volume growth of 6.2% YoY...



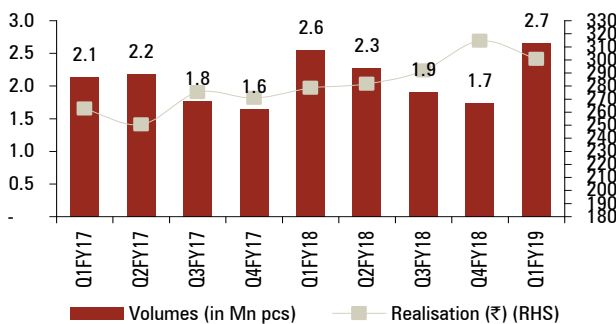
Source: Company, ICICI Direct Research

Exhibit 4: ...while volume for women's segment grows 7% YoY



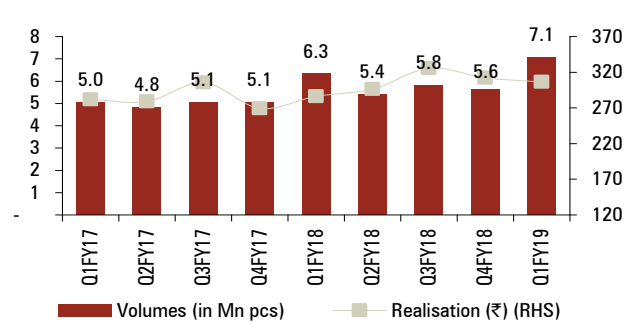
Source: Company, ICICI Direct Research

Exhibit 5: Volumes for brassiere segment grow 4.3% YoY...

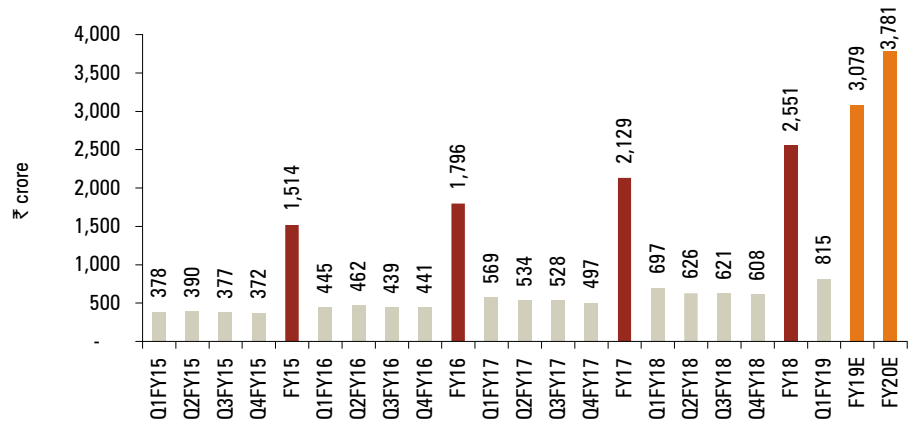


Source: Company, ICICI Direct Research

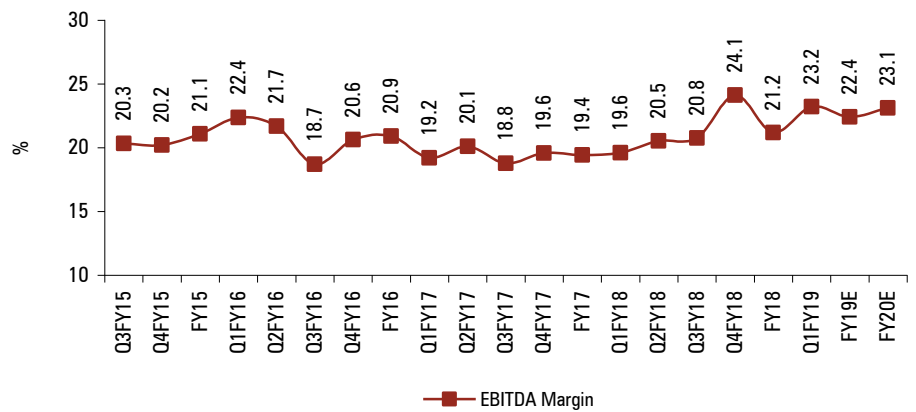
Exhibit 6: ...sports segment grows 12% YoY



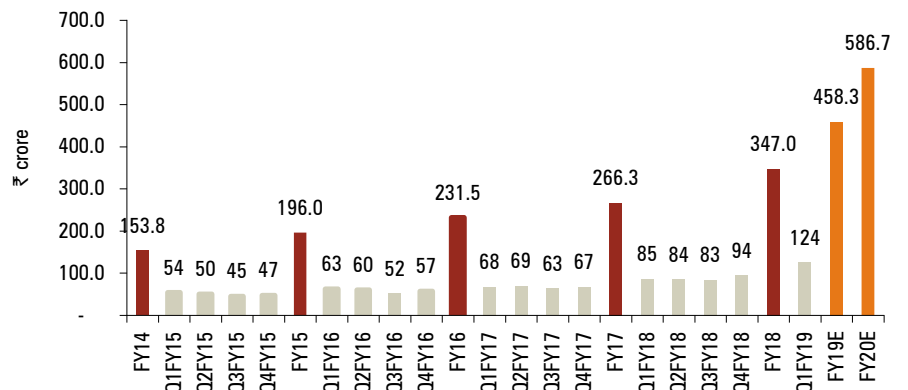
Source: Company, ICICI Direct Research

Exhibit 7: Revenue trend


Source: Company, ICICI Direct Research

Exhibit 8: EBITDA margin trend


Source: Company, ICICI Direct Research

Exhibit 9: Net profit trend


Source: Company, ICICI Direct Research

Valuation

Given the unorganised nature of the Indian hosiery market, Page Industries with its strong brand recall of "Jockey" is expected to lead the market shift towards organised and premium innerwear segment. We anticipate growth will be multi-pronged (growth in brassier and leisure segment together with women's wear besides the men's innerwear segment) and long drawn as the industry moves towards more organised segment. Also, GST would be positive for organised players like Page as higher compliance cost for unorganised players would create a level playing field, which may lead to market share gains. The GST rate for apparel priced below ₹ 1000 is fixed at 5%, which is less than the earlier tax incidence of 8-9%.

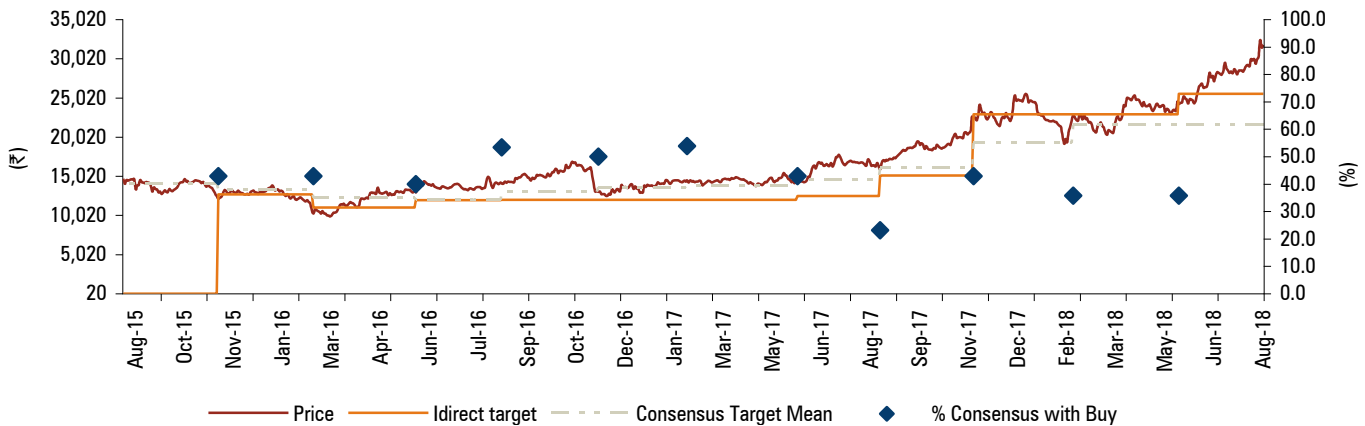
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Exhibit 10: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	1795.6	18.6	207.6	18.1	150.3	93.0	43.7	56.2
FY17	2128.5	18.5	238.7	15.0	130.7	84.4	40.0	51.6
FY18	2551.4	19.9	311.1	30.3	100.3	64.3	41.0	57.2
FY19E	3078.7	20.7	410.8	32.1	75.9	50.3	44.2	60.8
FY20E	3781.2	22.8	526.0	28.0	59.3	39.8	45.8	63.4

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Mar-08	Continues capacity expansion from 2.2 crore pieces in FY07 to 3.1 crore pieces in FY08; witnessed topline growth of 42% and PAT growth of 40% YoY
Mar-09	Further expands capacity from 3.1 crore pieces (FY08) to 4.5 crore pieces translating to topline growth of 32% and PAT growth of 33% YoY
Jul-10	Capacity increases 60% YoY from 5.1 crore pieces (FY10) to 8.3 crore pieces (FY11), leading to 45% & 48% topline and PAT growth, respectively
Aug-11	Continues topline and bottomline growth at 30%+ and also increases dividend payout from ~30% in FY07 to ~50%
Mar-13	Revenue growth relatively slows down to 26.3% in FY13, mainly due to lower price hikes taken during the year
Jul-13	Reports strong ~40% topline and 32% bottomline growth in Q1FY14
Mar-15	Reports 29% topline and 28% bottomline growth in FY15
Aug-15	Reports slowest growth since FY10. Topline grew by 16% (run rate ~25%) and PAT grew by 16% (run rate ~30%) in Q1FY16
Nov-15	Reports 16% YoY growth; PAT grew 21% YoY to ₹ 60.3 crore. Tapered our estimates and lowered TP to ₹ 12700
Feb-16	Reports 15% YoY growth in revenues; PAT was at ₹ 52 crore
May-16	Reports 15% YoY growth; men's volumes de-grew by 1%. EBITDA margins at 18.9% and PAT at ₹ 57 crore
Aug-16	Reports 28% YoY growth; men's volumes grew by 20%. EBITDA margins at 18.5% and PAT at ₹ 73 crore
Nov-16	Reports 15% YoY growth; men's volumes grew by 10% ;Brasserie and women wear grew by ~20% each. Margins subdued at 19%.

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Investor Name	Last Filing Date	%O/S	Position (m)	Change (m)
1	Genomal (Nari)	30-Jul-18	16.2%	1.8	0.0
2	Genomal (Ramesh)	30-Jul-18	16.2%	1.8	0.0
3	Genomal (Sunder)	30-Jul-18	16.2%	1.8	0.0
4	Nalanda Capital Pte Ltd	30-Jun-18	9.3%	1.0	0.0
5	Cartica Capital, Ltd.	30-Jun-18	6.1%	0.7	-0.2
6	IIFL Inc	30-Jun-18	4.7%	0.5	0.0
7	Axis Asset Management Company Limited	30-Jun-18	2.6%	0.3	0.0
8	The Vanguard Group, Inc.	30-Jun-18	1.5%	0.2	0.0
9	ABG Capital, Ltd.	30-Jun-18	1.1%	0.1	0.0
10	UTI Asset Management Co. Ltd.	30-Jun-18	1.0%	0.1	0.0

Shareholding Pattern

(in %)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoter	49.0	49.0	49.0	49.0	49.0
FII	36.7	36.8	37.3	36.7	35.6
DII	5.5	5.7	5.2	5.4	5.9
Others	8.8	8.6	8.4	8.9	9.5

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor Name	Value	Shares	Investor Name	Value	Shares
SBI Funds Management Pvt. Ltd.	12.4	0.0	Cartica Capital, Ltd.	-72.6	-0.2
Axis Asset Management Company Limited	7.4	0.0	ABG Capital, Ltd.	-17.4	0.0
Wasatch Advisors, Inc.	6.5	0.0	Matthews International Capital Management, L.L.C.	-13.9	0.0
Florida State Board of Administration	3.1	0.0	IIFL Inc	-15.4	0.0
Goldman Sachs Asset Management (US)	2.8	0.0	Genomal (Sunder)	-6.5	0.0

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement					₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E	
Total operating Income	2,128.5	2,551.4	3,078.7	3,781.2	
Growth (%)	18.5	19.9	20.7	22.8	
Raw Material Expenses	862.3	1,087.3	1,314.3	1,625.3	
Employee Expenses	375.6	406.5	449.5	521.8	
Other Expenses	477.4	516.8	625.0	760.0	
Total Operating Expenditure	1,715.3	2,010.7	2,388.8	2,907.1	
EBITDA	413.2	540.7	690.0	874.1	
Growth (%)	10.1	30.9	27.6	26.7	
Depreciation	24.7	28.0	30.6	32.8	
EBIT	388.5	512.7	659.4	841.3	
Growth (%)	10.7	32.0	28.6	27.6	
Interest	18.0	16.6	14.4	13.7	
Other Income	24.3	21.5	33.9	41.6	
PBT	394.8	517.6	678.9	869.2	
Growth (%)	15.1	31.1	31.2	28.0	
Total Tax	128.5	170.5	220.6	282.5	
PAT	266.3	347.0	458.3	586.7	
Growth (%)	15.0	30.3	32.1	28.0	
EPS (₹)	238.7	311.1	410.8	526.0	

Source: Company, ICICI Direct Research

Cash flow statement					₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E	
Profit after tax	266.3	347.0	458.3	586.7	
Add: Depreciation	24.7	28.0	30.6	32.8	
(Inc)/dec in Current Assets	(82.7)	(12.4)	(75.9)	(196.1)	
Inc/(dec) in CL and Provisions	69.4	116.3	26.0	38.9	
Others	-	-	-	-	
CF from operating activities	277.7	478.9	438.9	462.3	
(Inc)/dec in Investments	(52.1)	(165.9)	(87.2)	(122.1)	
(Inc)/dec in Fixed Assets	(44.1)	(29.8)	(40.0)	(40.0)	
(Inc)/dec in CWIP	(23.8)	(34.4)	8.5	5.0	
Others	(15.3)	(0.2)	(5.7)	(1.0)	
CF from investing activities	(135.3)	(230.3)	(124.4)	(158.1)	
Issue/(Buy back) of Equity	-	-	-	-	
Inc/(dec) in loan funds	(7.2)	(38.1)	(1.6)	(2.3)	
Others	(123.3)	(164.1)	(267.2)	(342.3)	
CF from financing activities	(130.5)	(202.2)	(268.8)	(344.6)	
Net Cash flow	11.9	46.4	45.7	(40.4)	
Opening Cash	8.6	20.5	66.9	112.6	
Closing Cash	20.5	66.9	112.6	72.2	

Source: Company, ICICI Direct Research

Balance sheet					₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E	
Liabilities					
Equity Capital	11.2	11.2	11.2	11.2	
Reserve and Surplus	654.6	836.2	1,026.3	1,269.8	
Total Shareholders funds	665.8	847.3	1,037.5	1,281.0	
Total Debt	87.7	49.6	47.9	45.6	
Deferred Tax Liability	11.2	11.0	11.0	11.0	
Other long term liabilities	11.6	13.1	14.0	15.0	
Total Liabilities	776.2	921.0	1,110.4	1,352.6	
Assets					
Gross Block	271.1	292.2	332.2	372.2	
Less: Acc Depreciation	37.7	62.2	92.7	125.5	
Net Block	233.4	230.1	239.5	246.7	
Capital WIP	24.1	58.5	50.0	45.0	
Intangible Assets	2.7	7.9	7.9	7.9	
Total Fixed Assets	260.2	296.5	297.4	299.6	
Investments	52.1	218.0	305.2	427.3	
Inventory	622.9	567.9	674.8	828.8	
Debtors	109.9	148.0	168.7	207.2	
Loans and Advances	2.9	2.1	2.6	6.2	
Cash	20.5	66.9	112.6	72.2	
Total Current Assets	778.2	837.0	958.6	1,114.3	
Sundry Creditors	111.2	136.3	162.0	200.4	
Current Liabilities	229.5	327.5	327.5	327.5	
Provisions	34.4	27.6	27.9	28.4	
Total Current Liabilities	375.1	491.4	517.5	556.4	
Net Current Assets	403.1	345.6	441.2	558.0	
Other Non-current Assets	60.7	60.9	66.6	67.6	
Application of Funds	776.2	921.0	1,110.4	1,352.6	

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	238.7	311.1	410.8	526.0
Cash EPS	260.9	336.2	438.3	555.4
BV	596.9	759.7	930.2	1,148.5
DPS	96.0	121.0	205.4	263.0
Cash Per Share	18.4	60.0	100.9	64.8
Operating Ratios				
EBITDA Margin (%)	19.4	21.2	22.4	23.1
PBT Margin (%)	18.5	20.3	22.1	23.0
PAT Margin (%)	12.5	13.6	14.9	15.5
Inventory days	106.8	81.2	80.0	80.0
Debtor days	18.8	21.2	20.0	20.0
Creditor days	47.1	45.8	45.0	45.0
Return Ratios (%)				
RoE	40.0	41.0	44.2	45.8
RoCE	51.6	57.2	60.8	63.4
RoIC	59.2	92.6	106.8	107.6
Valuation Ratios (x)				
P/E	130.7	100.3	75.9	59.3
EV / EBITDA	84.4	64.3	50.3	39.8
EV / Net Sales	16.4	13.6	11.3	9.2
Market Cap / Sales	16.3	13.6	11.3	9.2
Price to Book Value	19.6	15.4	12.6	10.2
Solvency Ratios				
Debt/EBITDA	0.2	0.1	0.1	0.1
Debt / Equity	0.1	0.1	0.0	0.0
Current Ratio	2.1	1.7	1.9	2.0
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Apparel)

	CMP			M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
Sector / Company	(₹)	TP(₹)	Rating	(₹ Cr)	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Kewal Kiran Clothing	1450	1550	Hold	1787	60.5	59.4	69.7	24.0	24.4	20.8	3.8	3.9	3.5	29.7	25.2	24.9	22.7	20.6	21.5
Page Industries	31200	28880	Hold	34800.1	238.7	311.1	410.8	130.7	100.3	75.9	84.4	64.3	50.3	51.6	57.2	60.8	40.0	41.0	44.2
Rupa & Company	410	520	Buy	3262	9.1	10.8	13.2	45.2	37.9	31.1	25.7	23.2	19.3	23.6	22.7	25.6	16.4	17.3	18.9
Vardhman Textiles	1200	1280	Hold	6893	178.7	103.0	126.3	6.7	11.7	9.5	7.1	10.0	8.0	14.5	10.1	11.9	23.0	11.7	13.0
Arvind Ltd	405	500	Buy	10474	12.4	12.0	15.2	32.6	33.8	26.6	14.2	14.0	11.8	9.9	8.8	10.3	9.0	8.2	9.5

Source: Company, ICICI Direct Research

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Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



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