

Page Industries

Steady quarter; Margin expansion reassuring – Retain BUY

CMP Rs11,771	Target Price Rs12,870 (▲)
Rating BUY (➔)	Upside 9.3 %

Result highlights

- Revenues steady with healthy margin expansion - Revenue at Rs 3.8bn, +25% yoy, EBITDA margins improved 100bps yoy to 19.1% & APAT at Rs 447mn +29% yoy
- Reports strong volume growth of 15% yoy led by men's & leisure wear, while women's wear volumes were muted. Company expects to sustain 15% volume growth driven by new products, network expansion & increasing shift to branded innerwear
- Lower input cost led 260bps gross margin expansion to 53.4% and 100bps EBITDA margin expansion to 19.1%. Expect benign commodity cycle, price increases & mix improvement to drive 30-50bps EBITDA margins to 20.4% by FY17E
- Steady quarter; healthy margin traction is reassuring. Remain positive on strong growth drivers and resultant visibility of earnings; Retain BUY with revised PT of Rs 12,870/share

Steady revenues with healthy margin expansion

Q3FY15 saw steady revenue growth and strong margin uptick & profit growth. Key highlights are: I) Revenues at Rs 3.8bn, up 25% yoy driven by strong volume growth of 15% yoy led by men's wear and leisure wear. II) EBITDA grew 31% yoy to Rs 723mn with gross margin expanding 260bps yoy to 53.4% due to lower inputs & mix improvement. EBITDA margin expansion was lower at 19.1%, up 100bps yoy due to higher employee and A & P costs. III) APAT at Rs 447mn, up 29%.

Strong volume performance – led by men's & leisure wear

Page reported strong volume performance of 15% yoy led by men's wear & leisure wear. Men's wear reported 28% yoy growth to Rs 1.9bn, with volume growth of 16% yoy and price led growth of 12% yoy. Women's wear reported 25% yoy growth, but volumes were lower at 9% yoy. Higher promotions in men's wear vs women's wear resulted in lower growth women's wear. Leisure wear + Speedo reported 20% yoy growth largely being volume led due to new products, while pricing growth was low due to limited mix led change. Company expects to sustain 15% volume growth driven by new products, network expansion & shift from unorganized to organized.

Growth steady with healthy margin traction; Retain BUY

Page reported steady growth with healthy margin improvement led by gross margin expansion. We believe company would sustain 25-30% revenue and earnings CAGR over FY15-17E. Business growth drivers remain intact led by (1) shift from unorganized to organized (2) new product launches & (3) distribution expansion, while lower inputs & mix would drive 20% EBITDA margins. We retain BUY with DCF-price target of Rs 12,870/Share.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	8,635	11,731	15,077	19,727	25,383
EBITDA	1,642	2,367	2,997	4,026	5,177
EBITDA Margin (%)	19.0	20.2	19.9	20.4	20.4
APAT	1,125	1,538	1,974	2,612	3,310
EPS (Rs)	100.9	137.9	177.0	234.2	296.7
EPS (% chg)	25.0	36.7	28.3	32.3	26.7
ROE (%)	59.3	61.2	57.9	56.6	53.6
P/E (x)	116.7	85.4	66.5	50.3	39.7
EV/EBITDA (x)	80.5	56.1	44.3	33.0	25.7
P/BV (x)	61.5	45.4	33.4	24.8	18.6

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY15E/FY16E (%)	(0.1)/(0.6)
Target Price change (%)	19.8
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	177.0	234.2
Consensus	180.8	236.1
Mean Consensus TP	Rs 11,300	

Stock Details

Bloomberg Code	PAG IN
Face Value (Rs)	10
Shares outstanding (mn)	11
52 Week H/L	12,850 / 5,456
M Cap (Rs bn/USD bn)	131 / 2.11
Daily Avg Volume (nos.)	5,465
Daily Avg Turnover (US\$ mn)	1.0

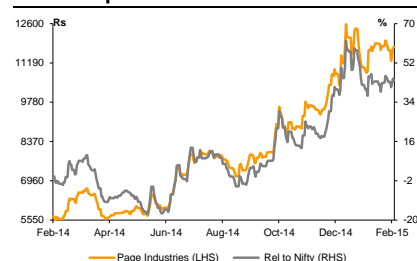
Shareholding Pattern Dec '14

Promoters	51.8%
FIIs	31.9%
DIIIs	6.3%
Public	9.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	22	50	109
Rel. to Nifty	-	18	35	48

Relative price chart



Source: Bloomberg

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Strong gross margin expansion; EBITDA margins also healthy

Lower cotton prices coupled with healthy mix improvement has resulted in gross margin expansion of 260bps yoy to 53.4%. While, EBITDA margin expansion was lower at 100bps yoy to 19.1% pulled down by higher employee cost (due to employee addition & 15-17% wage hike) and increase in ad & promotional spends (5% of sales). Company continues to showcase pricing power and has implemented 3% price increase in Q3FY15. Benign inputs, mix improvement (higher share of leisure wear) and gains in supply chain due to likely implementation of GST should aid in margin expansion in ensuing quarters. Company has guided for 20% EBITDA margins in FY16. We have factored 30-50bps margin expansion over FY16/17E to 20.4%.

Raises capex guidance – to add capacity & set up a process plant

Company maintained its FY15 capex guidance at Rs 450mn to expand capacity to 190mn pieces. However, it has raised its capex plans for FY16 to Rs 750mn, which will be utilized for adding capacity from 190mn pieces to 225 mn pieces. In addition, company is also setting up a processing plant (for knitted & dyed fabric) worth Rs 300mn, which would help reduce outsourcing of knitted fabric by about 30%.

Exhibit 1: Revision in Earning Estimates

Y/E, Mar (Rs. mn)	FY15E			FY16E			FY17E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	15,569	15,077	(3.2)	20,285	19,727	(2.8)	25,473	25,383	(0.4)
EBITDA	3,021	2,997	(0.8)	4,070	4,026	(1.1)	5,068	5,177	2.2
EBITDA Margin (%)	19.4	19.9	50 bps	20.1	20.4	30 bps	19.9	20.4	50 bps
APAT	1,976	1,974	(0.1)	2,627	2,612	(0.6)	3,227	3,310	2.6
EPS	177.1	177.0	(0.1)	235.5	234.2	(0.6)	289.3	296.7	2.6

Source: Company, Emkay Research

Exhibit 2: Quarterly Performance Standalone

Y/E, Mar (Rs. mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	Gr (%)
Operating Income	3,025	2,789	3,783	3,896	3,774	24.8	-3.1	11,453	8,942	28.1
Expenditure	2,475	2,230	2,952	3,220	3,051	23.3	-5.2	9,224	7,134	29.3
Consumption of RM	1,491	1,331	1,844	1,871	1,760	18.1	-5.9	5,475	4,328	26.5
as % of sales	49.3	47.7	48.8	48.0	46.6			47.8	48.4	
Employee Cost	490	485	597	677	652	33.2	-3.7	1,926	1,396	38.0
as % of sales	16.2	17.4	15.8	17.4	17.3			16.8	15.6	
Other expenditure	494	414	511	671	639	29.3	-4.8	1,822	1,410	29.2
as % of sales	16.3	14.8	13.5	17.2	16.9			15.9	15.8	
EBITDA	550	559	830	677	723	31.3	6.8	2,230	1,808	23.3
Depreciation	36	40	51	34	45	24.6	33.1	130	99	31.5
EBIT	514	518	779	643	678	31.8	5.4	2,099	1,709	22.9
Other Income	40	64	68	136	57	44.9	-57.7	261	147	76.8
Interest	28	37	37	33	39	42.8	17.3	110	67	63.9
PBT	526	546	810	745	696	32.2	-6.6	2,250	1,789	25.8
Total Tax	180	194	267	246	249	38.1	1.1	761	603	26.3
APAT	346	351	543	499	447	29.1	-10.4	1,489	1,187	25.5
Minority Interest	0	0	0	0	0	NA	NA	0	0	NA
APAT (after minority)	346	351	543	499	447	29.1	-10.4	1,489	1,187	25.5
Extraordinary Items	0	0	0	0	0	NA	NA	0	0	NA
Reported PAT	346	351	543	499	447	29.1	-10.4	1,489	1,187	25.5
Adjusted EPS	31.0	31.5	48.7	44.7	40.1	29.1	-10.4	133.5	106.4	25.5
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	18.2	20.0	21.9	17.4	19.1	100	180	19.5	20.2	-70
EBIT	17.0	18.6	20.6	16.5	18.0	100	150	18.3	19.1	-80
EBT	17.4	19.6	21.4	19.1	18.4	100	-70	19.6	20.0	-40
PAT	11.4	12.6	14.4	12.8	11.8	40	-100	13.0	13.3	-30
Effective Tax rate	34.2	35.6	32.9	33.0	35.7	150	270	33.8	33.7	20

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	8,635	11,731	15,077	19,727	25,383
Expenditure	6,992	9,364	12,080	15,701	20,205
EBITDA	1,642	2,367	2,997	4,026	5,177
Depreciation	114	139	169	213	266
EBIT	1,529	2,228	2,828	3,813	4,911
Other Income	208	211	320	346	348
Interest expenses	80	104	151	193	234
PBT	1,657	2,335	2,997	3,966	5,025
Tax	531	797	1,023	1,354	1,715
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,125	1,538	1,974	2,612	3,310
Adjusted PAT	1,125	1,538	1,974	2,612	3,310

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	112	112	112	112	112
Reserves & surplus	2,024	2,778	3,817	5,191	6,931
Net worth	2,135	2,890	3,928	5,302	7,043
Minority Interest	0	0	0	0	0
Loan Funds	879	1,422	1,965	2,508	3,051
Net deferred tax liability	57	95	95	95	95
Total Liabilities	3,072	4,407	5,988	7,905	10,188
Net block	1,322	1,728	2,066	2,589	3,217
Investment	10	0	0	0	0
Current Assets	3,285	4,932	6,872	9,204	12,041
Cash & bank balance	46	35	568	944	1,398
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	1,646	2,289	2,986	3,924	5,105
Net current assets	1,640	2,643	3,886	5,280	6,936
Misc. exp	0	0	0	0	0
Total Assets	3,072	4,407	5,988	7,905	10,188

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	1,449	2,124	2,677	3,620	4,677
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(389)	(977)	(709)	(1,018)	(1,203)
Operating Cashflow	871	740	1,585	2,000	2,607
Capital expenditure	(434)	(481)	(508)	(736)	(893)
Free Cash Flow	438	259	1,077	1,264	1,714
Investments	8	10	0	0	0
Other Investing Cash Flow	(202)	(181)	(320)	(346)	(348)
Investing Cashflow	(419)	(441)	(508)	(736)	(893)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	238	543	543	543	543
Dividend paid (incl tax)	(649)	(783)	(936)	(1,238)	(1,569)
Other Financing Cash Flow	54	34	0	0	0
Financing Cashflow	(438)	(310)	(544)	(888)	(1,260)
Net chg in cash	14	(11)	534	376	453
Opening cash position	31	46	35	568	944
Closing cash position	46	35	568	944	1,398

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	19.0	20.2	19.9	20.4	20.4
EBIT Margin	17.7	19.0	18.8	19.3	19.3
Effective Tax Rate	32.1	34.1	34.1	34.1	34.1
Net Margin	13.0	13.1	13.1	13.2	13.0
ROCE	64.2	65.2	60.6	59.9	58.1
ROE	59.3	61.2	57.9	56.6	53.6
RoIC	59.1	61.4	58.2	62.0	62.6

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	100.9	137.9	177.0	234.2	296.7
CEPS	111.1	150.4	192.1	253.3	320.6
BVPS	191.4	259.1	352.2	475.4	631.4
DPS	50.0	60.0	71.7	94.9	120.2

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	116.7	85.4	66.5	50.3	39.7
P/CEPS	106.0	78.3	61.3	46.5	36.7
P/BV	61.5	45.4	33.4	24.8	18.6
EV / Sales	15.3	11.3	8.8	6.7	5.2
EV / EBITDA	80.5	56.1	44.3	33.0	25.7
Dividend Yield (%)	0.4	0.5	0.6	0.8	1.0

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	0.4	0.5	0.4	0.3	0.2
Net Debt/EBIDTA	0.5	0.6	0.5	0.4	0.3
Working Cap Cycle (days)	67.4	81.1	80.3	80.2	79.6

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	26.3	35.9	28.5	30.8	28.7
EBITDA	23.4	44.1	26.6	34.3	28.6
EBIT	24.8	45.7	26.9	34.8	28.8
PAT	25.0	36.7	28.3	32.3	26.7

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	3,025	2,789	3,783	3,896	3,774
EBITDA	550	559	830	677	723
EBITDA Margin (%)	18.2	20.0	21.9	17.4	19.1
PAT	346	351	543	499	447
EPS (Rs)	31.0	31.5	48.7	44.7	40.1

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	56.9	51.8	51.8	51.8	51.8
FIIIs	23.2	32.6	32.6	32.3	31.9
DIIIs	12.2	7.5	6.5	6.4	6.3
Private Corp	1.9	2.1	2.2	2.0	2.0
Public	7.7	8.1	9.1	9.5	9.9

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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