

# Page Industries

CMP: ₹ 11,760

TP: ₹ 12,992

Accumulate

## High Points

- Volume up 15%. Men and Leisure segment drives volumes.
- Gross margins expanded as RM cost declines.
- Price hike of 3% taken in Jan 2015.
- View: Accumulate. Our DCF based TP is ₹ 12,992

## Q3FY15 - Volume growth of 15%

- Volume growth of 15.2% was backed by a strong growth in the Mens and Leisure wear segment at 15.6% and 19.7% respectively. Management indicated that it will be able to sustain a 15% volume growth over the next 3-4 years.
- Expansion in gross margin is likely to continue as cotton price have corrected to ₹210/kg from ₹240/kg. Further, the company has taken a price increase of 3% in Jan 2015.
- For FY15, the total capex stand at Rs500mn which in increase the capacity to 190m pieces (an increase of 30mn pieces). The company has a capex plan of ₹750mn which would expand the capacity to 225mn pieces.
- The company continues to introduce new products in each of the segment which ensures sustained growth in volumes. However, in kids wear and speedo there has been witnessing some challenges.

## Scrip Details

Equity	₹ 112mn
Face Value	₹ 10/-
Market Cap	₹ 131bn
	USD 2.1bn
52 week High / Low	₹ 12800 / 5456
Avg. Volume (no)	10426
BSE Sensex	28,990
NSE Nifty	8,766
Bloomberg Code	PAG IN
Reuters Code	PAGE.BO

We believe Page Industries strong distribution reach and *Jockey* brand provides company a strong platform to introduce new products. Its strong franchise ensures a sustained growth of 25%. Given the sustained growth momentum in revenue and earnings, we value the company on DCF. On P/E basis the valuation would continue to look expensive. We estimate a 27% CAGR in revenue and 30% PAT CAGR for the company during FY15-17E. At CMP, the stock trades at 39x FY17E EPS of ₹299.5. Our DCF based price target is ₹12,992

## Q3FY15 Result (₹ mn)

Particulars	Q3FY15	Q3FY14	YoY (%)	Q2FY15	QoQ (%)	9MFY15	9MFY14	YoY (%)
<b>Net Sales</b>	<b>3,774</b>	<b>3,025</b>	<b>24.8</b>	<b>3,896</b>	<b>-3.1</b>	<b>11,453</b>	<b>8,942</b>	<b>28.1</b>
<b>Expenditure</b>	<b>3,051</b>	<b>2,475</b>	<b>23.3</b>	<b>3,220</b>	<b>-5.2</b>	<b>9,224</b>	<b>7,134</b>	<b>29.3</b>
Raw Materials	1,760	1,491	18.1	1,871	-5.9	5,475	4,328	26.5
Staff Cost	652	490	33.2	677	-3.7	1,926	1,396	38.0
Other Expenditure	639	494	29.3	671	-4.7	1,822	1,410	29.2
<b>Operating Profit</b>	<b>723</b>	<b>550</b>	<b>31.3</b>	<b>677</b>	<b>6.8</b>	<b>2,230</b>	<b>1,808</b>	<b>23.3</b>
Other Income	57	40	44.9	136	-57.7	261	147	76.9
Interest	39	28	42.9	33	17.3	110	67	63.9
Depreciation	45	36	24.6	34	33.1	130	99	31.5
<b>PBT</b>	<b>696</b>	<b>526</b>	<b>32.2</b>	<b>745</b>	<b>-6.6</b>	<b>2,250</b>	<b>1,789</b>	<b>25.8</b>
Tax	249	180	38.1	246	1.1	761	603	26.3
<b>Net Profit</b>	<b>447</b>	<b>346</b>	<b>29.1</b>	<b>499</b>	<b>-10.4</b>	<b>1,489</b>	<b>1,187</b>	<b>25.5</b>
Gross Margin (%)	53.4	50.7	264.4	52.0	138.7	52.2	51.6	59.6
OPM (%)	19.1	18.2	95.3	17.4	177.9	19.5	20.2	-74.9
EMPL (%)	17.3	16.2	109.2	17.4	-10.5	16.8	15.6	121.0
Other (%)	16.9	16.3	59.8	17.2	-28.6	15.9	15.8	13.5
NPM (%)	11.8	11.4	39.9	12.8	-96.1	13.0	13.3	-26.9
OPM (%) including OI	20.4	19.3	110.7	20.1	21.1	21.3	21.5	-25.1

## Financials

Year	Net Sales	% Growth	EBIDTA	OPM%	PAT	Growth%	EPS (₹)	% Growth	PER (x)	ROANW (%)	ROACE (%)
FY14	11,731	35.9	2,367	20.2	1,538	36.7	137.9	36.7	85.3	61.2	41.1
FY15E	14,954	27.5	2,966	19.8	1,960	27.5	175.7	27.5	66.9	59.5	39.6
FY16E	19,036	27.3	3,897	20.5	2,553	30.2	228.9	30.2	51.4	60.3	41.7
FY17E	24,306	27.7	5,049	20.8	3,340	2.6	299.5	30.9	39.3	61.2	43.7

Figures in ₹ mn

Sr. Analyst: Amit Purohit

Tel : +9122 4096 9724

E-mail: [amitp@dolatcapital.com](mailto:amitp@dolatcapital.com)

Associate: Devanshi Dhruva

Tel: +9122 4096 9756

E-mail: [devanshid@dolatcapital.com](mailto:devanshid@dolatcapital.com)

February 13, 2015

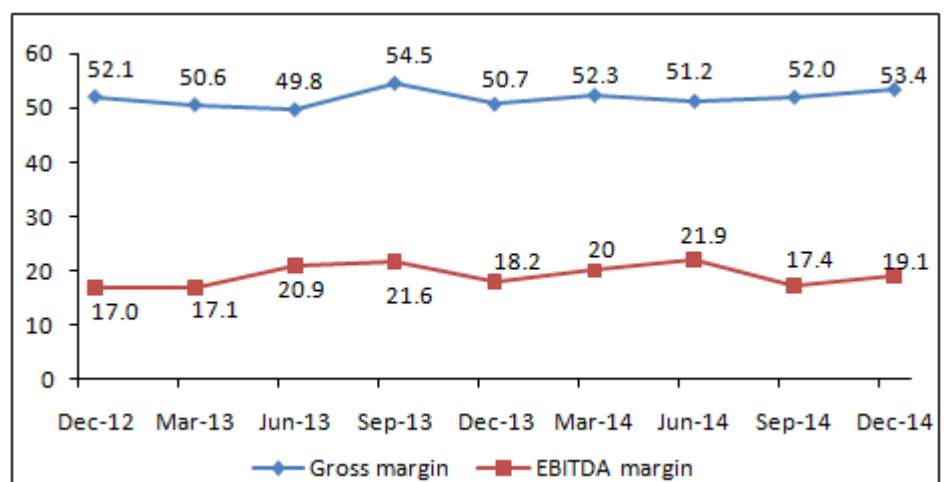
Net Sales at ₹ 3.77bn up 25% YoY (Dolat est. ₹ 3.95bn). EBITDA at ₹ 723mn (est of ₹770mn) was up 31.3% YoY as EBITDA margins expanded by 95bps YoY to 19.1% (est. of 19.5%).

Gross margin expanded by 264bps YoY to 53.4%. However higher other exp (mainly on account of ad spend) and employee cost restricted EBITDA margin expansion. PBT at ₹ 696mn was up 32% YoY. Net profit grew by 29% YoY to ₹ 447mn (Dolat est of ₹ 478mn).

### Q3FY15 Result (₹ mn)

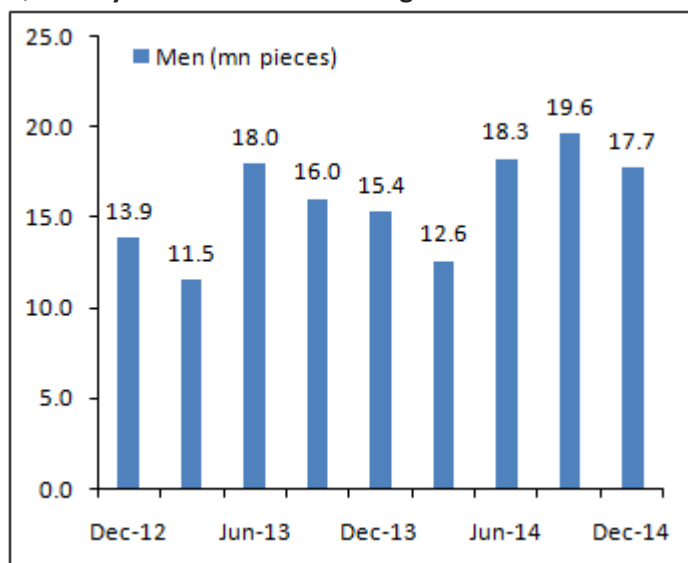
Particulars	Q3FY15	Q3FY14	YoY (%)	Q2FY15	QoQ (%)	9MFY15	9MFY14	YoY (%)
<b>Volume Breakup</b>								
Men	17.7	15.4	15.6%	19.6	-9.6%	55.6	49.7	11.9%
<i>mix</i>	59.9%	59.7%		62.7%		60.9%	62.5%	
Women	5.5	5.0	9.9%	5.9	-5.4%	17.8	15.2	17.3%
<i>mix</i>	18.7%	19.6%		18.7%		19.5%	19.1%	
Leisure wear	6.3	5.3	19.7%	5.8	9.3%	17.7	14.4	22.8%
<i>mix</i>	21.3%	20.5%		18.4%		19.4%	18.1%	
Speedo	0.03	0.05	-33.5%	0.1		0.3	0.2	
<i>mix</i>	0.1%	0.2%		0.2%		0.3%	0.3%	
<b>Total</b>	<b>29.6</b>	<b>25.7</b>	<b>15.2%</b>	<b>31.3</b>	<b>-5.4%</b>	<b>91.4</b>	<b>79.5</b>	<b>14.9%</b>
<b>Realisation</b>								
Men	105.3	95.2	10.6%	104.4	0.9%	104.8	92.9	12.9%
Women	119.4	105.3	13.4%	116.4	2.7%	114.0	102.7	11.1%
Leisure wear	193	191	1.0%	193	-0.2%	193	184	4.8%
Speedo	571	525		564	1.3%	558	0	
<b>Avg Realisation</b>	<b>127.1</b>	<b>117.6</b>	<b>8.0%</b>	<b>123.8</b>	<b>2.7%</b>	<b>124.9</b>	<b>111.0</b>	<b>12.5%</b>
<b>Value</b>								
Men	1,869.2	1,462.0	27.9%	2,047.7	-8.7%	5,831.1	4,617.6	26.3%
<i>mix</i>	49.6%	48.3%		52.8%		51.1%	52.3%	
Women	662.6	531.7	24.6%	682.5	-2.9%	2,031.7	1,559.5	30.3%
<i>mix</i>	17.6%	17.6%		17.6%		17.8%	17.7%	
Leisure wear	1,215.0	1,005.1	20.9%	1,114.0	9.1%	3,417.2	2,653.4	28.8%
<i>mix</i>	32.3%	33.2%		28.8%		29.9%	30.0%	
Speedo	19.4	26.8	-27.7%	30.5	-36.5%	140.0	-	#DIV/0!
<i>mix</i>	0.5%	0.9%		0.8%		1.2%	0.0%	
<b>Total</b>	<b>3,766.2</b>	<b>3,025.6</b>	<b>24.5%</b>	<b>3,874.7</b>	<b>-2.8%</b>	<b>11,419.9</b>	<b>8,830.4</b>	<b>29.3%</b>

### Quarterly trend in operating performance



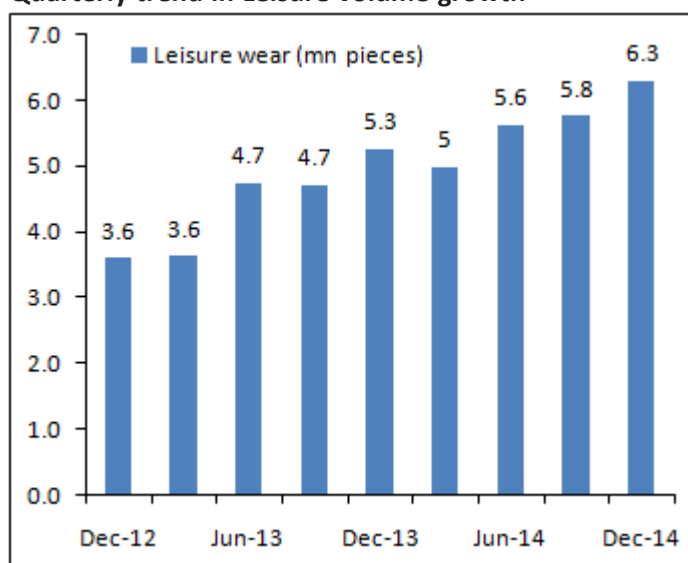
Source: Company, Dolat Research

**Quarterly trend in men volume growth**

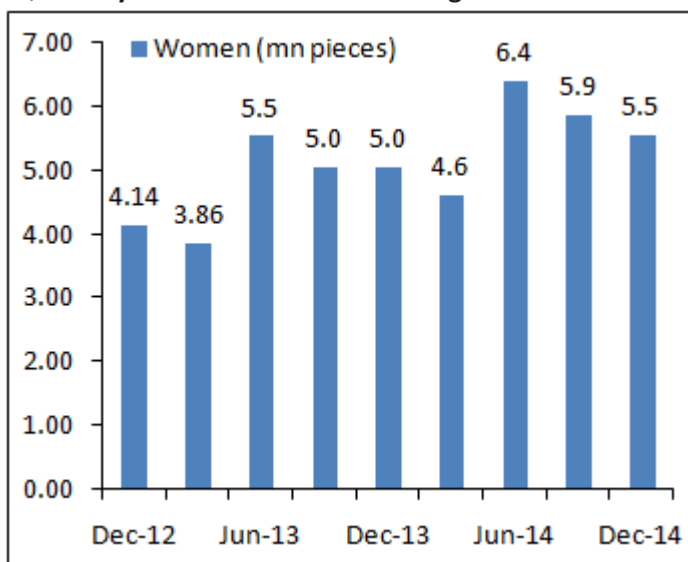


Source: Company, Dolat Research

**Quarterly trend in Leisure volume growth**

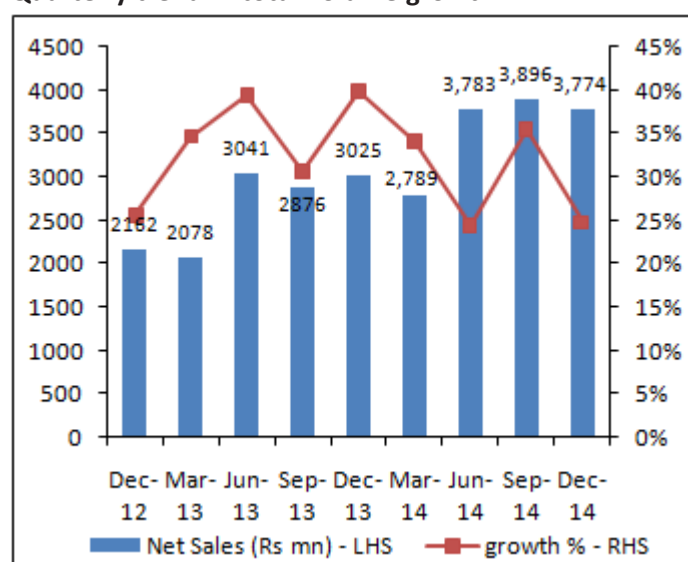


**Quarterly trend in Women volume growth**

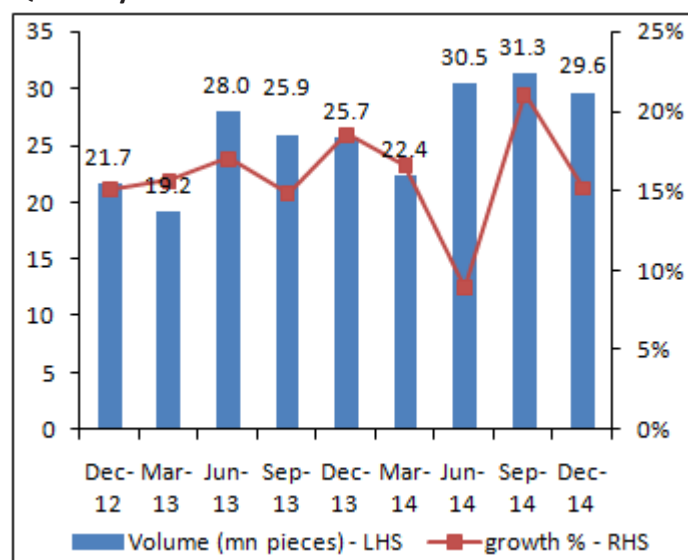


Source: Company, Dolat Research

**Quarterly trend in total volume growth**

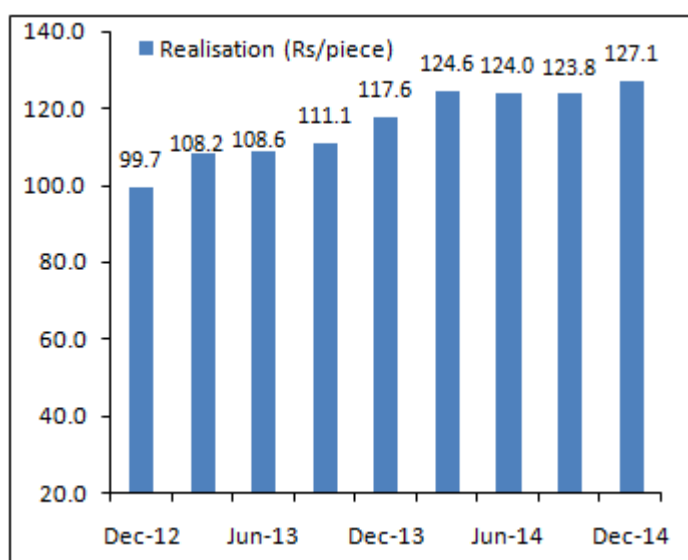


**Quarterly trend in net sales**



Source: Company, Dolat Research

**Quarterly trend in realisation**



INCOME STATEMENT		₹ mn			
Particulars	Mar14	Mar15E	Mar16E	Mar17E	
<b>Net Sales</b>	<b>11,731</b>	<b>14,954</b>	<b>19,036</b>	<b>24,306</b>	
Other income	211	320	350	450	
<b>Total Income</b>	<b>11,942</b>	<b>15,274</b>	<b>19,386</b>	<b>24,756</b>	
Total Expenditure	9,364	11,989	15,138	19,257	
Operational / Direct expenses	5,902	7,094	9,010	11,524	
Employee Expenses	1,881	2,497	3,179	4,035	
Selling & Administrative Expenses	1,581	2,397	2,949	3,698	
<b>EBIDTA (Excl. Other Income)</b>	<b>2,367</b>	<b>2,966</b>	<b>3,897</b>	<b>5,049</b>	
<b>EBIDTA (Incl. Other Income)</b>	<b>2,578</b>	<b>3,286</b>	<b>4,247</b>	<b>5,499</b>	
Interest	104	140	165	190	
<b>Gross Profit</b>	<b>2,474</b>	<b>3,146</b>	<b>4,082</b>	<b>5,309</b>	
Depreciation	139	176	215	248	
Profit Before Tax & EO Items	2,335	2,970	3,868	5,061	
Profit Before Tax	2,335	2,970	3,868	5,061	
Tax	797	1,010	1,315	1,721	
<b>Net Profit</b>	<b>1,538</b>	<b>1,960</b>	<b>2,553</b>	<b>3,340</b>	

**BALANCE SHEET**

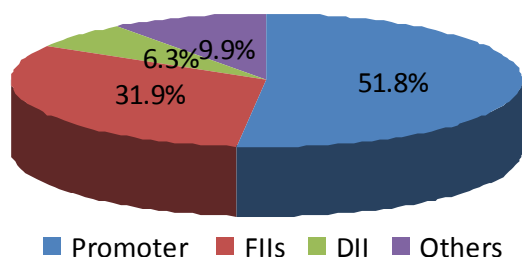
Particulars	Mar14	Mar15E	Mar16E	Mar17E
<b>Sources of Funds</b>				
Equity Capital	112	112	112	112
Other Reserves	2,778	3,592	4,651	6,038
<b>Net Worth</b>	<b>2,890</b>	<b>3,703</b>	<b>4,763</b>	<b>6,149</b>
Secured Loans	1,532	1,838	2,073	2,484
Unsecured Loans	100	130	130	130
<b>Loan Funds</b>	<b>1,632</b>	<b>1,968</b>	<b>2,203</b>	<b>2,614</b>
Deferred Tax Liability	95	65	65	65
<b>Total Capital Employed</b>	<b>4,617</b>	<b>5,736</b>	<b>7,031</b>	<b>8,828</b>

**Applications of Funds**

Gross Block	2,404	3,004	3,504	4,004
Less: Accumulated Depreciation	676	852	1,066	1,314
<b>Net Block</b>	<b>1,728</b>	<b>2,153</b>	<b>2,438</b>	<b>2,690</b>
Capital Work in Progress	36	100	50	50
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	3,626	4,507	5,737	7,325
Sundry Debtors	727	942	1,200	1,532
Cash and Bank Balance	35	32	43	43
Loans and Advances	545	389	495	633
<i>sub total</i>	4,932	5,870	7,475	9,532
<b>Less : Current Liabilities &amp; Provisions</b>				
Current Liabilities	1,838	2,017	2,442	2,925
Provisions	241	370	490	520
<i>sub total</i>	2,079	2,387	2,932	3,445
Net Current Assets	2,853	3,483	4,543	6,088
<b>Total Assets</b>	<b>4,617</b>	<b>5,736</b>	<b>7,030</b>	<b>8,828</b>

E-estimates

Shareholding Pattern as on Dec'14 (%)


**CASH FLOW**

Particulars	Mar14	Mar15E	Mar16E	Mar17E
<b>Profit before tax</b>	<b>2,335</b>	<b>2,970</b>	<b>3,868</b>	<b>5,061</b>
Depreciation & w.o.	139	176	215	248
Net Interest Exp	104	140	165	190
Direct taxes paid	(797)	(1,010)	(1,315)	(1,721)
Chg. in Working Capital	(1,097)	(633)	(1,048)	(1,545)
<b>(A) CF from Opet. Activities</b>	<b>684</b>	<b>1,643</b>	<b>1,884</b>	<b>2,233</b>
Capex	(481)	(664)	(450)	(500)
<b>Free Cash Flow</b>	<b>203</b>	<b>978</b>	<b>1,434</b>	<b>1,733</b>
Inc./ (Dec.) in Investments	10	0	0	0
<b>(B) CF from Invet. Activities</b>	<b>(471)</b>	<b>(664)</b>	<b>(450)</b>	<b>(500)</b>
Issue of Equity/ Preference	146	(30)	0	0
Inc./ (Dec.) in Debt	625	336	235	411
Interest exp net	(104)	(140)	(165)	(190)
Dividend Paid (Incl. Tax)	(892)	(1,147)	(1,493)	(1,954)
<b>(C) CF from Financing</b>	<b>(224)</b>	<b>(981)</b>	<b>(1,423)</b>	<b>(1,733)</b>
Net Change in Cash	(11)	(2)	11	(0)
<b>Opening Cash balances</b>	<b>46</b>	<b>35</b>	<b>32</b>	<b>43</b>
<b>Closing Cash balances</b>	<b>35</b>	<b>32</b>	<b>43</b>	<b>43</b>

E-estimates

**IMPORTANT RATIOS**

Particulars	Mar14	Mar15E	Mar16E	Mar17E
<b>(A) Measures of Performance (%)</b>				
<b>Contribution Margin</b>				
EBIDTA Margin (excl. O.I.)	20.2	19.8	20.5	20.8
EBIDTA Margin (incl. O.I.)	21.6	21.5	21.9	22.2
Interest / Sales	0.9	0.9	0.9	0.8
Gross Profit Margin	49.7	52.6	52.7	52.6
Tax/PBT	34.1	34.0	34.0	34.0
Net Profit Margin	12.9	12.8	13.2	13.5

**(B) As Percentage of Net Sales**

Raw Material	50.3	47.4	47.3	47.4
Employee Expenses	16.0	16.7	16.7	16.6
Selling & Administrative Expenses	13.5	16.0	15.5	15.2

**(C) Measures of Financial Status**

Debt / Equity (x)	0.6	0.5	0.5	0.4
Interest Coverage (x)	24.9	23.5	25.7	28.9
Average Cost Of Debt (%)	7.8	7.8	7.9	7.9
Debtors Period (days)	22.6	23.0	23.0	23.0
Closing stock (days)	112.8	110.0	110.0	110.0
Inventory Turnover Ratio (x)	3.2	3.3	3.3	3.3
Fixed Assets Turnover (x)	4.9	5.0	5.4	6.1
Working Capital Turnover (x)	4.1	4.3	4.2	4.0
Non Cash Working Capital (₹ Mn)	2,818	3,451	4,500	6,045

**(D) Measures of Investment**

EPS (₹)	137.9	175.7	228.9	299.5
CEPS (₹)	150.4	191.5	248.1	321.7
DPS (₹)	68.3	87.9	114.4	149.7
Dividend Payout (%)	49.6	50.0	50.0	50.0
Profit Ploughback (%)	50.4	50.0	50.0	50.0
Book Value (₹)	259.1	332.0	427.0	551.3
RoANW (%)	61.2	59.5	60.3	61.2
RoACE (%)	41.1	39.6	41.7	43.7
RoAIC (%) (Excl Cash & Invest.)	63.0	60.5	63.5	66.6

**(E) Valuation Ratios**

CMP (₹)	11,760	11,760	11,760	11,760
P/E (x)	85.3	66.9	51.4	39.3
Market Cap. (₹ Mn.)	131,170	131,170	131,170	131,170
MCap/ Sales (x)	11.2	8.8	6.9	5.4
EV (₹ Mn.)	132,767	133,106	133,330	133,741
EV/Sales (x)	11.3	8.9	7.0	5.5
EV/EBDITA (x)	56.1	44.9	34.2	26.5
P/BV (x)	45.4	35.4	27.5	21.3
Dividend Yield (%)	0.6	0.7	1.0	1.3

E-estimates

<b>BUY</b>	Upside above 20%
<b>ACCUMULATE</b>	Upside above 5% and up to 20%
<b>REDUCE</b>	Upside of upto 5% or downside of upto 15%
<b>SELL</b>	Downside of more than 15%

Analyst	Sector/Industry/Coverage	E-mail	Tel.+91-22-4096 9700
Amit Khurana, CFA	Co-Head Equities and Head of Research	amit@dolatcapital.com	+91-22-40969745
Amit Purohit	Consumer & Midcaps	amitp@dolatcapital.com	+91-22-40969724
Deepali Gautam	Utilities	deepalig@dolatcapital.com	+91-22-40969795
Kunal Dalal	Auto & Auto Ancillaries	kunald@dolatcapital.com	+91-22-40969749
Priyank Chandra	Oil & Gas	priyank@dolatcapital.com	+91-22-40969737
Rahul Jain	IT Services & Real Estate	rahul@dolatcapital.com	+91-22-40969754
Rajiv Pathak	Financials	rajiv@dolatcapital.com	+91-22-40969750
Prachi Save	Derivatives	prachi@dolatcapital.com	+91-22-40969733

Associates	Sector/Industry/Coverage	E-mail	Tel.+91-22-4096 9700
Afshan Sayyad	Agrochemicals	afshans@dolatcapital.com	+91-22-40969726
Abhishek Lodhiya	Real Estate	abhishekl@dolatcapital.com	+91-22-40969753
Avinash Kumar	Capital Goods	avinashk@dolatcapital.com	+91-22-40969764
Devanshi Dhruva	Consumer & Midcaps	devanshid@dolatcapital.com	+91-22-40969756
Manish Raj	Cement	manishr@dolatcapital.com	+91-22-40969725
Pranav Joshi	Financials	pranavj@dolatcapital.com	+91-22-40969706

Equity Sales/Trading	Designation	E-mail	Tel.+91-22-4096 9797
Purvag Shah	Principal	purvag@dolatcapital.com	+91-22-40969747
Vikram Babulkar	Co-Head Equities and Head of Sales	vikram@dolatcapital.com	+91-22-40969746
Kapil Yadav	AVP - Institutional Sales	kapil@dolatcapital.com	+91-22-40969735
P. Sridhar	Head Sales Trading	sridhar@dolatcapital.com	+91-22-40969728
Chandrakant Ware	AVP - Equity Sales Trading	chandrakant@dolatcapital.com	+91-22-40969707
Jatin Padharia	Head of Sales Trading - Derivatives	jatin@dolatcapital.com	+91-22-40969703
Shirish Thakkar	Sales Trader - Derivatives	shirisht@dolatcapital.com	+91-22-40969702

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## **Dolat Capital Market Pvt. Ltd.**

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Corporate Identity Number: U65990MH1993PTC075189

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031 & INF230710031

Registered office: “**DOLAT**” Plot 60B, East West Road No. 2, JVPD Scheme, Vile Parle (West), Mumbai-400 049.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: [research@dolatcapital.com](mailto:research@dolatcapital.com) | [www.dolatresearch.com](http://www.dolatresearch.com)

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### **I. Analyst(s) holding in the Stock(s): (Nil)**

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