

## Page Industries

### Performance Highlights

Particulars (₹ cr)	3QFY2011	2QFY2011	%chg (qoq)	3QFY2010	%chg (yoy)
<b>Net sales</b>	<b>134</b>	<b>126</b>	<b>6</b>	<b>90</b>	<b>49</b>
EBITDA	28	26	7	15	81
EBITDA margin (%)	20.7	20.5	20bp	17.1	360bp
<b>PAT</b>	<b>15.6</b>	<b>16.4</b>	<b>(5)</b>	<b>9</b>	<b>74</b>
PAT margin (%)	11.7	12.9	150 bp	10	170bp

Source: Company, Angel Research

For 3QFY2011, Page Industries reported a stellar set of numbers, above our expectations. The company posted strong revenue growth, led by volume growth and higher price realisation. OPM also came in above our estimates, which we believe is not sustainable going ahead due to increasing raw-material prices.

**Strong top-line growth:** During the quarter, Page Industries' top line grew impressively by 49% yoy and 6% qoq to ₹134cr, while EBITDA grew by 81% yoy and 7% qoq to ₹28cr. Operating margin came in at 20.7% thereby expanding by 360bp yoy and 20bp qoq.

**Robust profitability growth:** The company posted robust PAT growth of 74% yoy to ₹15.6cr. PAT margin stood at 11.7%, expanding by 170bp yoy.

**Outlook and valuation:** Considering the immense potential of India's consumption story, Page Industries' predominant presence in a fast-growing market, strong brand recall and consistent financial performance, we remain positive on the stock. As per our revised estimates, Page Industries would witness a PAT CAGR of 34% over FY2010–12E. For FY2011E and FY2012E, we have revised our EPS estimates to ₹48.5 and ₹64, respectively. Assigning a P/E multiple of 24x for FY2012E earnings, we have arrived at a fair price of ₹1,536 for Page Industries. **Hence, we recommend a Neutral rating on the stock.**

#### Key financials

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
<b>Net sales</b>	<b>255</b>	<b>339</b>	<b>493</b>	<b>658</b>
% chg	32.4	33.3	45.4	33.4
<b>Net profit</b>	<b>32</b>	<b>40</b>	<b>54</b>	<b>71</b>
% chg	32.8	25.4	36.3	32.0
EBITDA (%)	20.0	19.4	18.6	18.6
<b>EPS (₹)</b>	<b>28.4</b>	<b>35.6</b>	<b>48.5</b>	<b>64.0</b>
P/E (x)	53.6	42.7	31.3	23.7
P/BV (x)	19.5	17.1	14.9	12.3
RoE (%)	38.6	42.7	50.8	56.7
RoCE (%)	35.3	39.6	47.3	51.6
EV/Sales (x)	6.8	5.1	3.6	2.7
EV/EBITDA (x)	33.9	26.6	19.2	14.6

Source: Company, Angel Research

## NEUTRAL

CMP ₹1,524  
 Target Price -

Investment Period -

#### Stock Info

Sector	Apparels
Market Cap (₹ cr)	1,762
Beta	0.259
52 Week High / Low	1,645/715
Avg. Daily Volume	2173
Face Value (₹)	10
BSE Sensex	17,729
Nifty	5,310
Reuters Code	PAGE.BO
Bloomberg Code	PAG@IN

#### Shareholding Pattern (%)

Promoters	60.4
MF / Banks / Indian Fls	20.5
FII / NRIs / OCBs	13.0
Indian Public / Others	6.1

Abs. (%)	3m	1yr	3yr
Sensex	(13.9)	9.8	6.7
Page Industries	12.0	85.6	219.0

#### Naitik Mody

Tel: 022-39357800 Ext: 6809  
 naitiky.mody@angelbroking.com

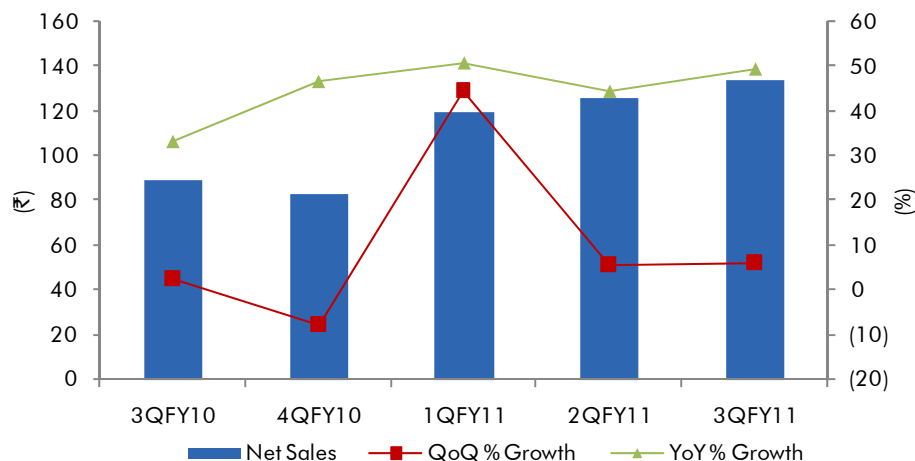
**Exhibit 1: 3QFY2011 performance**

Y/E March (₹ cr)	3QFY11	2QFY11	% chg (qoq)	3QFY10	% chg (yoy)	9MFY2011	9MFY2010	% chg
<b>Net Sales</b>	<b>134.1</b>	<b>126.4</b>	<b>6.1</b>	<b>89.8</b>	<b>49.4</b>	<b>380.2</b>	<b>256.7</b>	<b>48.1</b>
Consumption of RM	64.7	63.9	1.2	42.6	52.1	189.3	124.8	51.7
(% of Sales)	48.3	50.6		47.4		49.8	48.6	
Staff Costs	23.8	21.2	12.3	15.5	53.5	65.8	41.6	58.3
(% of Sales)	17.7	16.7		17.3		17.3	16.2	
Other Expenses	17.8	15.4	15.4	16.3	8.9	49.2	39.8	23.7
(% of Sales)	13.3	12.2		18.2		12.9	15.5	
<b>Total Expenditure</b>	<b>106.3</b>	<b>100.5</b>	<b>5.7</b>	<b>74.4</b>	<b>42.9</b>	<b>304.3</b>	<b>206.1</b>	<b>47.6</b>
<b>Operating Profit</b>	<b>27.8</b>	<b>25.9</b>	<b>7.3</b>	<b>15.3</b>	<b>80.9</b>	<b>75.9</b>	<b>50.6</b>	<b>50.0</b>
OPM	20.7	20.5	20bp	17.1	360bp	20.0	19.7	
Interest	1.0	1.0	8.1	0.7	58.6	3.0	2.0	55.5
Depreciation	2.5	2.4	5.5	2.3	9.1	7.0	6.5	7.9
Other Income	2.5	1.6	59.8	1.0	164.0	6.4	2.2	192.8
PBT (excl. Extr. Items)	26.7	24.1	10.8	13.3	100.3	72.2	44.3	62.9
Extr. Income/(Expense)	-	-		-		-	-	
PBT (incl. Extr. Items)	26.7	24.1	10.8	13.3	100.3	72.2	44.3	62.9
(% of Sales)	19.9	19.1		14.9		19.0	17.3	
Provision for Taxation	11.1	7.8	43.1	4.3	155.6	26.5	14.6	81.2
(% of PBT)	41.6	32.2		32.6		36.7	33.0	
<b>Reported PAT</b>	<b>15.6</b>	<b>16.4</b>	<b>(4.5)</b>	<b>9.0</b>	<b>73.6</b>	<b>45.7</b>	<b>29.7</b>	<b>53.9</b>
<b>PATM</b>	<b>11.7</b>	<b>12.9</b>	<b>(120bp)</b>	<b>10.0</b>	<b>170bp</b>	<b>12.0</b>	<b>11.6</b>	
Equity shares (cr)	1.1	1.1		1.1		1.1	1.1	
<b>EPS (₹)</b>	<b>14.0</b>	<b>14.7</b>	<b>(4.5)</b>	<b>8.1</b>	<b>73.6</b>	<b>41.0</b>	<b>26.6</b>	<b>53.9</b>
Adjusted PAT	15.6	16.4	(4.5)	9.0	73.6	45.7	29.7	53.9

Source: Company, Angel Research

**Strong revenue growth**

Page Industries reported strong revenue growth, primarily on the back of robust volume growth and an increase in price realisations. The company reported net sales of ₹134cr, thereby recording yoy growth of 49.4% and qoq growth of 6.1%.

**Exhibit 2: Revenue trend**


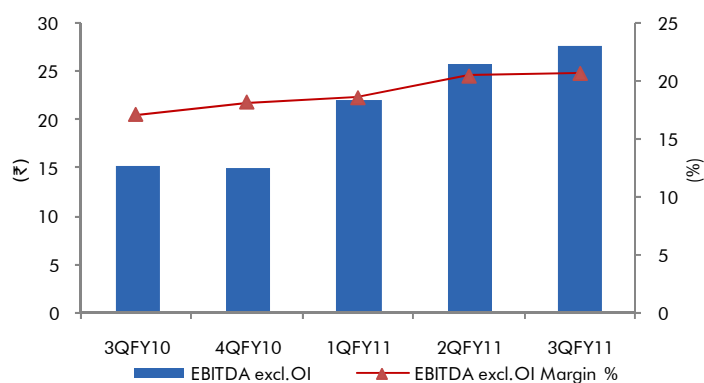
Source: Company, Angel Research

### Higher operating margins, but not sustainable going forward

During the quarter, Page Industries' operating margin expanded by 20bp qoq to 20.7%, primarily due to inventory gains. Also, the company had undertaken a price revision to maintain its margins.

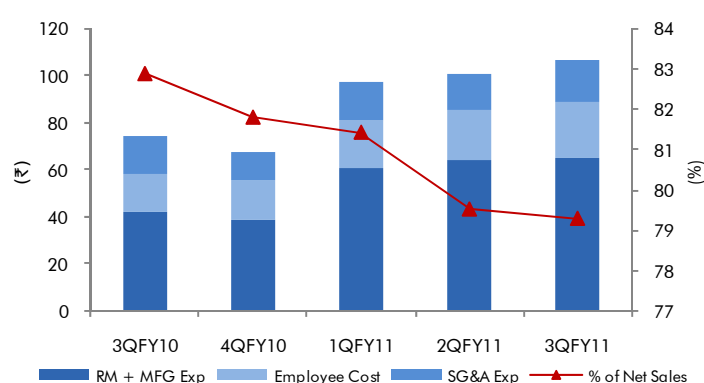
Since prices of cotton yarn, a primary raw material, have been continuously rising, going forward, we believe these margins are not sustainable. We have estimated EBITDA (excl. OI) margin at 18.6% for FY2011E and FY2012E.

**Exhibit 3: EBITDA trend**



Source: Company, Angel Research

**Exhibit 4: Expenditure break-up**

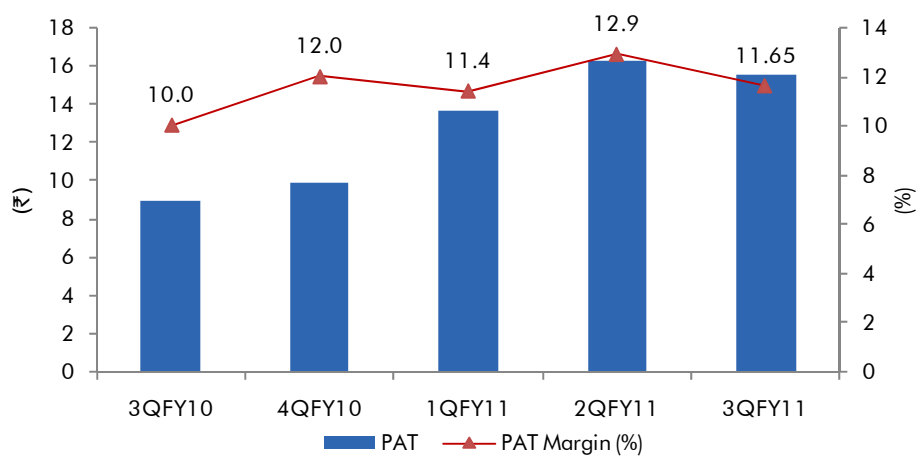


Source: Company, Angel Research

### Robust PAT growth of 74% yoy

During the quarter, Page Industries posted a phenomenal growth of 74% yoy in its net profit to ₹15.6cr, but it reported a 450bp decline qoq. PAT margin stood at 11.7%, expanding by 170bp yoy and declining by 120bp qoq. Sequentially, interest cost for the quarter increased by 8%. Also, tax expense as a percentage of PBT stood at 41.6% vis-à-vis 32.2% for 2QFY2011, up by 940bp. Going forward, we believe the company's PAT margin would stabilise in line with its operating margin and normalised tax expenses. We have estimated PAT margins at 11% and 10.9% for FY2011E and FY2012E, respectively.

**Exhibit 5: PAT trend**



Source: Company, Angel Research

## Investment rationale

### Exclusive licensee for JOCKEY® through 2030

Page Industries has entered into a new licensing agreement with Jockey International, which makes Page Industries the exclusive licensee to manufacture and distribute JOCKEY® brand of products, up to the end of CY2030. Under this agreement, United Arab Emirates (UAE) will be added to the list of the existing markets served by Page Industries. In essence, this agreement of exclusivity for 20 years, of a well-renowned global brand, lends good growth visibility to Page Industries.

### Huge market size, with a fast-growing premium segment

We estimate the current potential national innerwear and leisurewear market size at ₹15,600cr. In India, JOCKEY® is positioned as a premium innerwear and leisurewear brand, catering to the premium and super-premium segments. We estimate the current market potential of these segments at ₹3,740cr. At present, Page Industries is the market leader with a 14.4% market penetration level in these segments.

### Strong brand recall and a wide distribution network

JOCKEY® is one of the most trusted and well-respected innerwear brands in India. The company's advertising and branding budget is a good ~6% of its net sales. In addition, Page Industries commands a wide, pan-India distribution network, encompassing 16,000 retail outlets in 1,100 cities and towns.

### Outlook and valuation

Considering the immense potential of India's consumption story, the company's predominant presence in a fast-growing market, strong brand recall and consistent financial performance, we remain positive on the stock. We have revised our numbers on account of better-than-expected estimates.

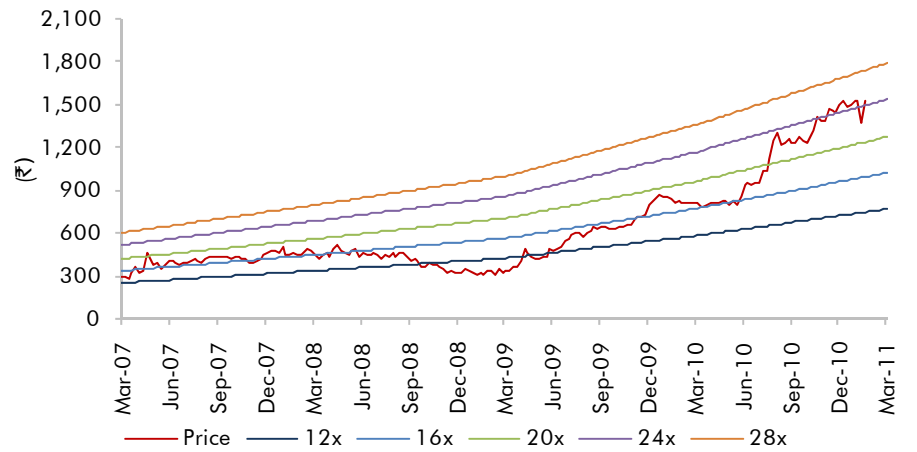
#### Exhibit 6: Change in estimates

(₹ cr)	FY2011E			FY2012E		
	Earlier	Revised	Var. (%)	Earlier	Revised	Var. (%)
Net sales	470	493	5.0	627	658	5.0
EBITDA	87	92	5.0	117	122	5.0
EBITDA (%)	18.6	18.6		18.6	18.6	
PAT	51	54	5.7	67	71	5.8
EPS	45.9	48.5	5.7	60.5	64.0	5.8

Source: Company, Angel Research

Estimating the company's PAT to witness a 34% CAGR over FY2010–12E, we have revised our EPS estimates to ₹48.5 and ₹64 for FY2011E and FY2012E, respectively. Assigning a P/E multiple of 24x for FY2012E earnings, we have arrived at a fair price of ₹1,536 for Page Industries. **Hence, we assign a Neutral rating to the stock.**

**Exhibit 7: One-year forward P/E bands**



Source: Company, Angel Research

**Profit and loss statement**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011E	FY2012E
<b>Gross sales</b>	<b>198</b>	<b>260</b>	<b>347</b>	<b>508</b>	<b>677</b>
Less: Excise duty	6	6	7	14	19
<b>Net Sales</b>	<b>192</b>	<b>255</b>	<b>339</b>	<b>493</b>	<b>658</b>
<b>Total operating income</b>	<b>192</b>	<b>255</b>	<b>339</b>	<b>493</b>	<b>658</b>
% chg	41.5	32.4	33.3	45.4	33.4
Total Expenditure	155	204	274	402	536
Cost of Materials	64	88	115	173	230
Advertising Exp (Incl Promotion)	31	38	48	72	95
Personnel	30	42	58	83	111
Others	30	36	52	74	99
<b>EBITDA</b>	<b>37</b>	<b>51</b>	<b>66</b>	<b>92</b>	<b>122</b>
% chg	36.0	37.8	29.1	39.7	33.4
(% of Net Sales)	19.2	20.0	19.4	18.6	18.6
Depreciation & Amortisation	4	7	9	10	14
<b>EBIT</b>	<b>33</b>	<b>44</b>	<b>57</b>	<b>81</b>	<b>108</b>
% chg	30.0	30.7	30.2	43.6	33.1
(% of Net Sales)	17.3	17.1	16.7	16.5	16.5
Interest & other Charges	3	3	3	6	8
Other Income	4	6	5	6	6
(% of PBT)	13.1	15.8	18.6	13.8	11.2
Share in profit of Associates	-	-	-	-	-
<b>Recurring PBT</b>	<b>34</b>	<b>47</b>	<b>59</b>	<b>81</b>	<b>107</b>
% chg	32.5	36.1	25.0	37.8	32.0
Prior Period & Extraordinary Expense/(Inc.)					
<b>PBT (reported)</b>	<b>34</b>	<b>47</b>	<b>59</b>	<b>81</b>	<b>107</b>
Tax	11	15	19	27	35
(% of PBT)	30.8	32.5	32.3	33.0	33.0
<b>PAT (reported)</b>	<b>24</b>	<b>32</b>	<b>40</b>	<b>54</b>	<b>71</b>
Add: Share of earnings of associate	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>24</b>	<b>32</b>	<b>40</b>	<b>54</b>	<b>71</b>
<b>ADJ. PAT</b>	<b>24</b>	<b>32</b>	<b>40</b>	<b>54</b>	<b>71</b>
% chg	39.3	32.8	25.4	36.3	32.0
(% of Net Sales)	12.4	12.4	11.7	11.0	10.9
<b>Basic EPS (₹)</b>	<b>21.4</b>	<b>28.4</b>	<b>35.6</b>	<b>48.5</b>	<b>64.0</b>
<b>Fully Diluted EPS (₹)</b>	<b>21.4</b>	<b>28.4</b>	<b>35.6</b>	<b>48.5</b>	<b>64.0</b>
% chg	39.3	32.8	25.4	36.3	32.0

**Balance sheet**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011E	FY2012E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	11	11	11	11	11
Reserves& Surplus	66	76	88	103	126
<b>Shareholders' Funds</b>	<b>77</b>	<b>87</b>	<b>99</b>	<b>114</b>	<b>138</b>
Total Loans	37	42	55	73	92
Deferred Tax Liability	2	2	2	2	2
<b>Total Liabilities</b>	<b>116</b>	<b>130</b>	<b>156</b>	<b>189</b>	<b>232</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	51	70	101	126	161
Less: Acc. Depreciation	9	15	24	34	48
<b>Net Block</b>	<b>41</b>	<b>55</b>	<b>78</b>	<b>92</b>	<b>113</b>
Capital Work-in-Progress	2	12	5	0	0
Goodwill	0	0	0	0	0
<b>Investments</b>	<b>30</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>0</b>
Current Assets	100	140	187	245	316
Cash	0	10	3	10	5
Loans & Advances	33	45	69	86	109
Other	67	85	115	149	202
Current liabilities	58	82	117	148	197
<b>Net Current Assets</b>	<b>43</b>	<b>58</b>	<b>70</b>	<b>97</b>	<b>119</b>
Mis. Exp. not written off	0	0	0	0	0
<b>Total Assets</b>	<b>116</b>	<b>130</b>	<b>156</b>	<b>189</b>	<b>232</b>



**Cash flow statement**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011E	FY2012E
Profit before tax	34	47	59	81	107
Depreciation	4	7	9	10	14
Change in Working Capital	(18)	(7)	(21)	(19)	(27)
Interest / Dividend (Net)	2	3	1	0	0
Direct taxes paid	11	14	18	27	35
Others	(1)	(0)	(0)	0	0
<b>Cash Flow from Operations</b>	<b>8</b>	<b>30</b>	<b>28</b>	<b>45</b>	<b>59</b>
(Inc.)/ Dec. in Fixed Assets	(22)	(31)	(25)	(20)	(35)
(Inc.)/ Dec. in Investments	(16)	25	2	3	0
<b>Cash Flow from Investing</b>	<b>(39)</b>	<b>(6)</b>	<b>(22)</b>	<b>(17)</b>	<b>(35)</b>
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	12	5	18	18	19
Dividend Paid (Incl. Tax)	(13)	(22)	(31)	(39)	(48)
Interest / Dividend (Net)	2	3	1	0	0
<b>Cash Flow from Financing</b>	<b>1</b>	<b>(14)</b>	<b>(12)</b>	<b>(21)</b>	<b>(28)</b>
Inc./(Dec.) in Cash	(30)	10	(7)	7	(5)
<b>Opening Cash balances</b>	<b>30</b>	<b>-</b>	<b>10</b>	<b>3</b>	<b>10</b>
<b>Closing Cash balances</b>	<b>-</b>	<b>10</b>	<b>3</b>	<b>10</b>	<b>5</b>

**Key ratios**

Y/E March	FY2008	FY2009	FY2010	FY2011E	FY2012E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	71.1	53.6	42.7	31.3	23.7
P/CEPS	61.8	43.5	34.8	26.3	19.9
P/BV	21.9	19.5	17.1	14.9	12.3
Dividend yield (%)	0.7	1.1	1.4	2.3	2.8
EV/Sales	9.0	6.8	5.1	3.6	2.7
EV/EBITDA	46.9	33.9	26.6	19.2	14.6
EV / Total Assets	14.9	13.2	11.2	9.3	7.7
<b>Per Share Data (₹)</b>					
EPS (Basic)	21.4	28.4	35.6	48.5	64.0
EPS (fully diluted)	21.4	28.4	35.6	48.5	64.0
Cash EPS	24.6	35.0	43.6	57.8	76.5
DPS	10.0	17.0	21.0	34.9	43.0
Book Value	69.4	77.8	88.8	102.3	123.4
<b>Dupont Analysis</b>					
EBIT margin	17.3	17.1	16.7	16.5	16.5
Tax retention ratio	0.7	0.7	0.7	0.7	0.7
Asset turnover (x)	2.8	2.5	2.6	3.0	3.2
ROIC (Pre-tax)	51.3	38.7	37.9	37.8	45.5
Cost of Debt (Post Tax)	7.5	5.2	4.2	6.5	6.4
Leverage (x)	0.2	0.4	0.4	0.5	0.5
Operating ROE	39.4	38.8	39.5	46.6	51.8
<b>Returns (%)</b>					
RoCE	31.7	35.3	39.6	47.3	51.6
Angel ROIC (Pre-tax)	39.8	42.2	39.1	45.5	47.8
RoE	32.9	38.6	42.7	50.8	56.7
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	5.1	4.2	4.0	4.3	4.6
Inventory / Sales (days)	89	90	87	77	75
Receivables (days)	14	19	20	20	22
Payables (days)	100	125	132	120	118
Working capital cycle (ex-cash) (days)	64	65	62	57	56
<b>Solvency ratios (x)</b>					
Net debt to equity	0.5	0.4	0.5	0.5	0.6
Net debt to EBITDA	1.0	0.6	0.8	0.7	0.7
Interest Coverage (EBIT / Interest)	9.9	14.2	19.1	13.2	13.8

Research Team Tel: 022 – 3935 7800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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Disclosure of Interest Statement	Page Industries
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

<b>Ratings (Returns) :</b>	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to 15%)	Sell (< -15%)	