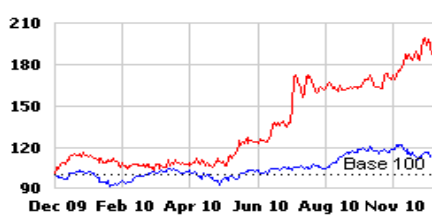


Dec 10<sup>th</sup>, 2010

**C.M.P:**  
**Rs.1425.00**

**Target Price:**  
**Rs. 1638.00**

## 1 Year Comparative Graph



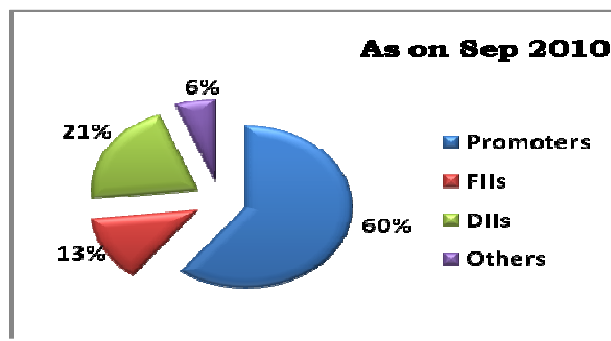
Page Industries Ltd

BSE SENSEX

## Stock Data

<b>Sector</b>	Textiles
<b>Face Value (Rs.)</b>	10.00
<b>52 wk. High/Low (Rs.)</b>	1550.00/715.10
<b>Volume (2 wk. Avg.)</b>	136400
<b>BSE Code</b>	532827
<b>Market Cap (Rs.mn.)</b>	15894.45

## Share holding Pattern



V.S.R. Sastry  
Equity Research Desk  
vrsastry@firstcallindiaequity.com

Dr. V.V.L.N. Sastry Ph.D.  
Chief Research Officer  
drsastry@firstcallindia.com

## SYNOPSIS

- Page Industries was set up in 1994 with the key objective of bringing the world renowned brand 'Jockey' to India.
- The company is located in Bangalore, India are the exclusive licensees of Jockey International Inc. (USA) for manufacture and distribution of the Jockey brand.
- Page Industries has entered into the new licensing agreement with Jockey International, Inc up to December 31, 2030.
- Net profit for the quarter stood at Rs 163.60 million from Rs 105.56 million with a rise of 54.98%.
- EPS for the share stood at Rs 14.67 from Rs 9.46 at a face value of Rs 10.00/- each.
- OPM and NPM for the quarter stood at 21.72% and 12.94% respectively for Sept 30, 2010.
- The company's net sales and net profit are expected to grow at a CAGR of 32% and 30% over FY09 to FY12E.

## Financials (Rs. in mn.)

	FY10	FY11E	FY12E
Net Sales	3393.80	4921.01	5905.21
EBIDTA	704.79	1012.95	1194.66
PAT	396.11	586.59	694.88
EPS	35.51	52.59	62.30
P/E	40.13	27.10	22.87

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## Peer Group Comparison

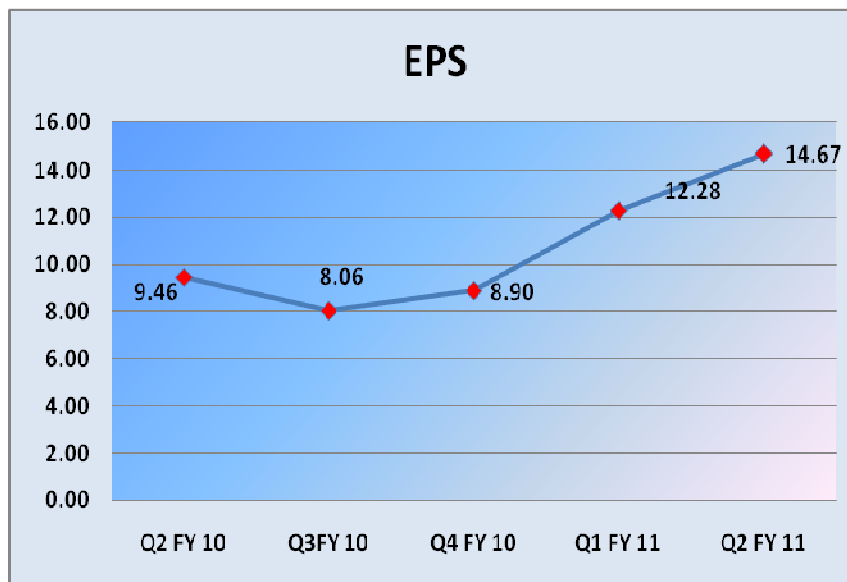
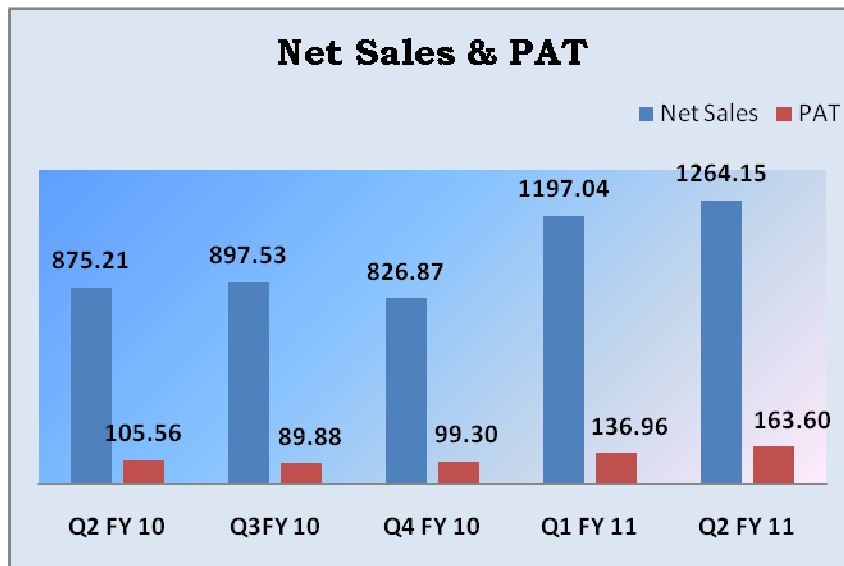
Name of the company	CMP(Rs.)	Market Cap.(Rs.Mn.)	EPS(Rs.)	P/E(x)	P/Bv(x)	Dividend (%)
Page Industries	1425.00	15894.45	35.51	40.13	16.05	210.00
KPR Mill	179.90	6779.20	25.59	7.03	1.26	55.00
Zodiac Clothing Company	393.90	5010.40	14.19	27.76	3.58	70.00
Spice Island App	27.00	116.10	5.94	4.55	0.82	15.00

### Investment Highlights

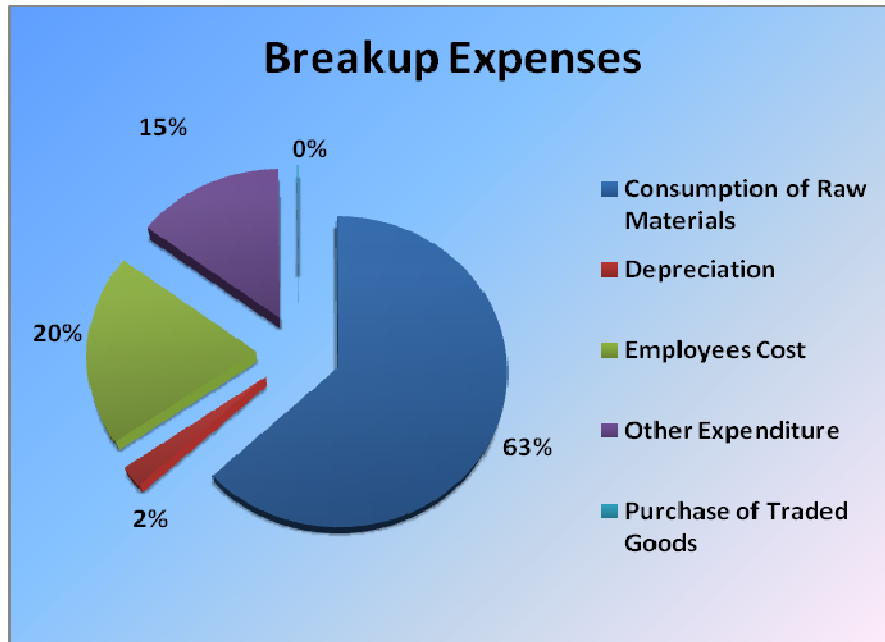
#### Results Updates (Q2 FY11) (Standalone)

Page Industries Ltd announced results for Sept quarter 2010, which resulted net sales of Rs 1264.15 million from Rs 875.21 million with a change of 44.44%. The operating profit of the company stood at Rs 274.56 million for the quarter from Rs 184.61 million with a rise of 48.72%. Net profit for the quarter stood at Rs 163.60 million from Rs 105.56 million with a rise of 54.98%. EPS for the share stood at Rs 14.67 from Rs 9.46 at a face value of Rs 10.00/- each.

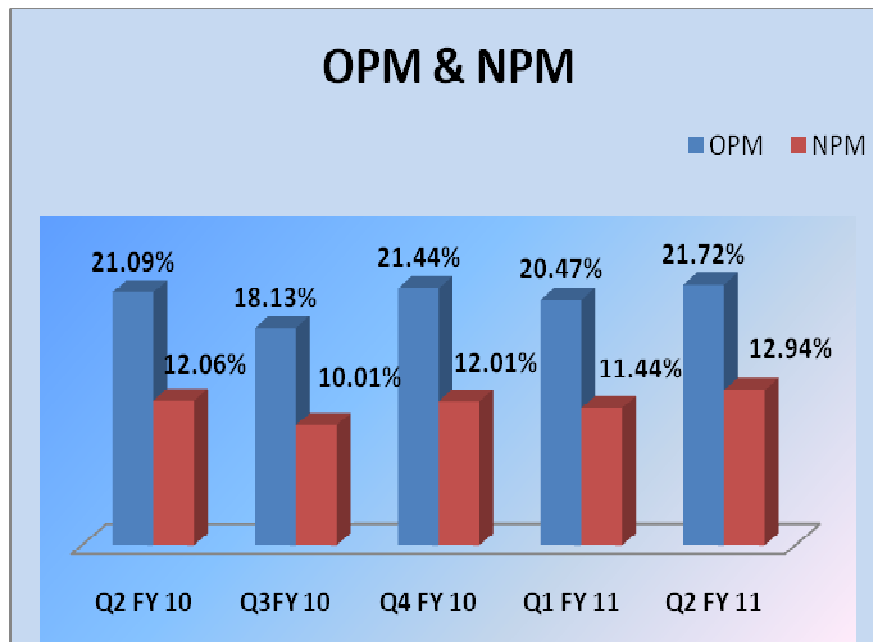
<i>Quarterly Results – Standalone (Rs in mn)</i>			
<b>As At</b>	<b>Q2 FY 10</b>	<b>Q2 FY 11</b>	<b>%change</b>
Net sales	875.21	1,264.15	44.44
PAT	105.56	163.60	54.98
Basic EPS	9.46	14.67	54.98



Expenditure for the quarter stood at Rs.1005.28 million, in which consumption of raw materials stood 63% of total expenditure and employees cost was 20% and there were very less purchase of traded goods occurred during the quarter and other expenses were 15% of the total expenditure. The depreciation during the quarter stood at Rs 23.56 million of the total expenditure.



OPM and NPM for the quarter stood at 21.72% and 12.94% respectively from 21.09% and 12.06% respectively of the same period of the last year.



## ➤ **Agreement with Jockey International**

Page Industries has entered into the new licensing agreement with Jockey International, Inc up to December 31, 2030. Under this new agreement, UAE will be added to the list of existing markets.

## **Company Profile**

Page Industries was set up in 1994 with the key objective of bringing the world renowned brand 'Jockey' to India. Its promoters, Genomal family, had then been associated with Jockey International Inc. for 44 years as their sole licensee in the Philippines. It became a public company in March 2007 and is quoted in the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) of India.

The company is located in Bangalore, India are the exclusive licensees of Jockey International Inc. (USA) for manufacture and distribution of the Jockey brand innerwear/ leisurewear for men and women in India, Sri Lanka, Bangladesh, and Nepal.

In the early 1990s, when globalization was just unfolding in India, innerwear was a low involvement category for consumers. There was no organized international innerwear brand retailed in India. Page Industries Ltd identified this need and introduced a wide range of quality products for men and women employing modern global marketing and distribution methods.

The company commenced operations in the year 1995 with the manufacturing, distribution and marketing of Jockey products. As of the end 2008, the company employs over 6,000 people with manufacturing operations spread over three plants in Bangalore totaling 500,000 square feet of space. It commands wide spread pan India distribution encompassing over 16,000 retail outlets in 1,100 cities and towns and has revolutionized the innerwear market by launching exclusive Jockey outlets across India numbering 50 as of end 2008.

In 2005 and 2009, the company was awarded the 'best licensee of the year' by Jockey International Inc., as recognition for its outstanding achievement in establishing and strengthening the Jockey brand as a market leader in India.

In August 2008, Page Industries' promoter's Genomal family and Jockey International USA celebrated their golden anniversary of association and both groups renewed their commitment to an even more exciting next 50 years.

## Products of the company

- ◆ Men's Innerwear
- ◆ Women's Innerwear
- ◆ Sport and Leisure
- ◆ Thermals

## Financials Results

### 12 Months Ended Profit & Loss Account (Standalone)

<i>Value(Rs.in.mn)</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11E</i>	<i>FY12E</i>
<b>Description</b>	<b>12m</b>	<b>12m</b>	<b>12m</b>	<b>12m</b>
<b>Net Sales</b>	<b>2546.51</b>	<b>3393.80</b>	<b>4921.01</b>	<b>5905.21</b>
Other Income	63.84	48.61	63.19	72.67
Total Income	2610.35	3442.41	4984.20	5977.88
Expenditure	-2037.93	-2737.62	-3971.26	-4783.22
<b>Operating Profit</b>	<b>572.42</b>	<b>704.79</b>	<b>1012.95</b>	<b>1194.66</b>
Interest	-30.68	-29.74	-42.17	-49.70
<b>Gross profit</b>	<b>541.74</b>	<b>675.05</b>	<b>970.78</b>	<b>1144.96</b>
Depreciation	-73.34	-89.87	-95.26	-100.03
<b>Profit Before Tax</b>	<b>468.40</b>	<b>585.18</b>	<b>875.51</b>	<b>1044.93</b>
Tax	-152.09	-189.07	-288.92	-350.05
<b>Net Profit</b>	<b>316.31</b>	<b>396.11</b>	<b>586.59</b>	<b>694.88</b>
Equity capital	111.54	111.54	111.54	111.54
Reserves	756.67	878.74	1465.33	2160.21
Face Value	10.00	10.00	10.00	10.00
Total No. of Shares	11.15	11.15	11.15	11.15
<b>EPS</b>	<b>28.36</b>	<b>35.51</b>	<b>52.59</b>	<b>62.30</b>

### Quarterly Ended Profit & Loss Account (Standalone)

<i>Value(Rs.in.mn)</i>	<i>31-Mar-10</i>	<i>31-Jun-10</i>	<i>30-Sep-10</i>	<i>30-Dec-10 E</i>
<b>Description</b>	<b>3m</b>	<b>3m</b>	<b>3m</b>	<b>3m</b>
<b>Net sales</b>	<b>826.87</b>	<b>1197.04</b>	<b>1,264.15</b>	<b>1365.28</b>
Other income	26.91	22.75	15.69	17.26
Total Income	853.78	1219.79	1,279.84	1382.54
Expenditure	-676.54	-974.81	-1,005.28	-1092.23
<b>Operating profit</b>	<b>177.24</b>	<b>244.98</b>	<b>274.56</b>	<b>290.32</b>
Interest	-10.22	-10.22	-9.69	-10.47
Gross profit	167.02	234.76	264.87	279.85
Depreciation	-24.89	-21.72	-23.56	-23.89
<b>Profit Before Tax</b>	<b>142.13</b>	<b>213.04</b>	<b>241.31</b>	<b>255.96</b>
Tax	-42.83	-76.08	-77.71	-84.47
<b>Net Profit</b>	<b>99.30</b>	<b>136.96</b>	<b>163.60</b>	<b>171.49</b>
Equity capital	111.54	111.54	111.54	111.54
Face Value	10.00	10.00	10.00	10.00
Total No. of Shares	11.15	11.15	11.15	11.15
<b>EPS</b>	<b>8.90</b>	<b>12.28</b>	<b>14.67</b>	<b>15.37</b>



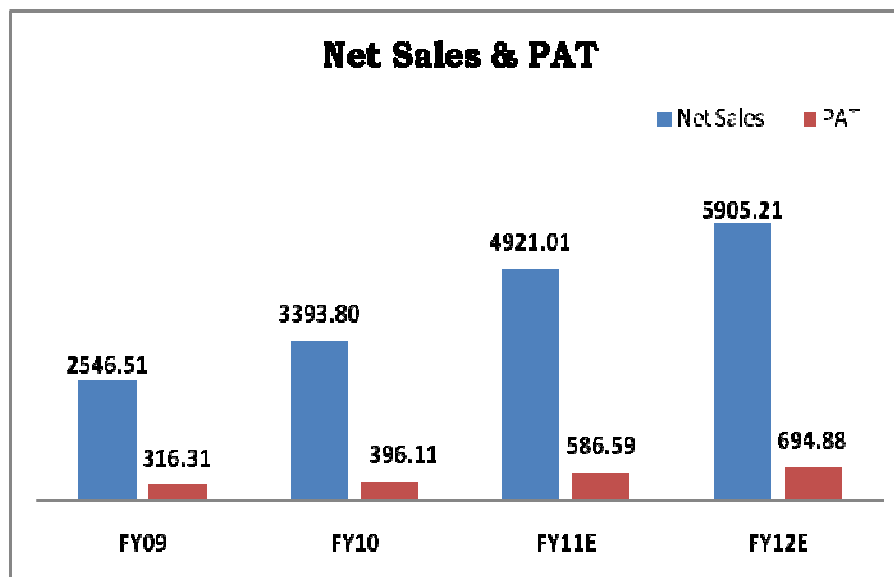
## Key Ratio

<i>Particulars</i>	<i>FY09 A</i>	<i>FY10 A</i>	<i>FY11 E</i>	<i>FY12 E</i>
EBIDTA %	22.48%	20.77%	20.58%	20.23%
PAT %	12.42%	11.67%	11.92%	11.77%
P/E ratio (x)	50.25	40.13	27.10	22.87
ROE - %	37.36%	41.01%	37.80%	30.93%
ROCE - %	51.01%	52.51%	51.44%	44.51%
EV/EBIDITA (x)	27.77	22.55	15.69	13.30
Debt Equity Ratio	0.48	0.55	0.38	0.29
Price/Book Value	77.84	88.78	141.37	203.67

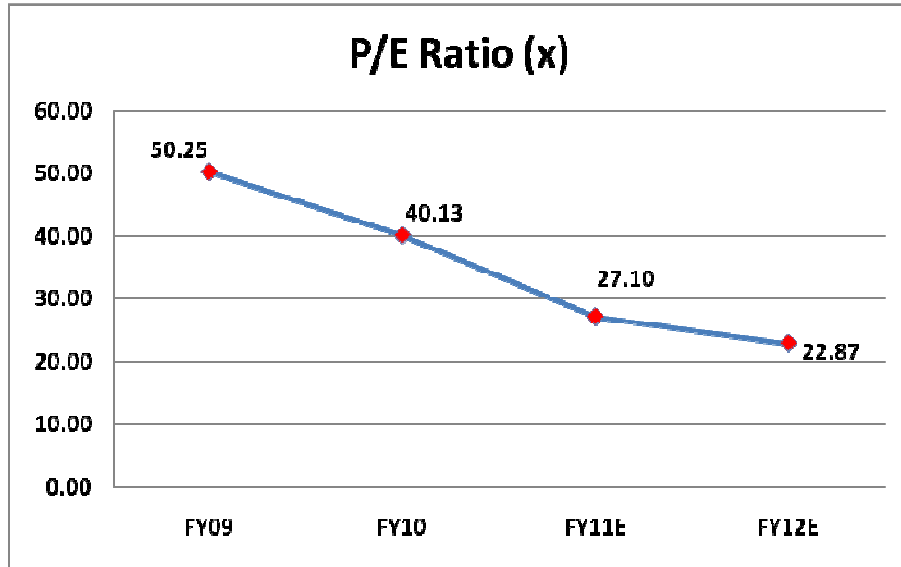
A-Actual E-Expected

## Charts:

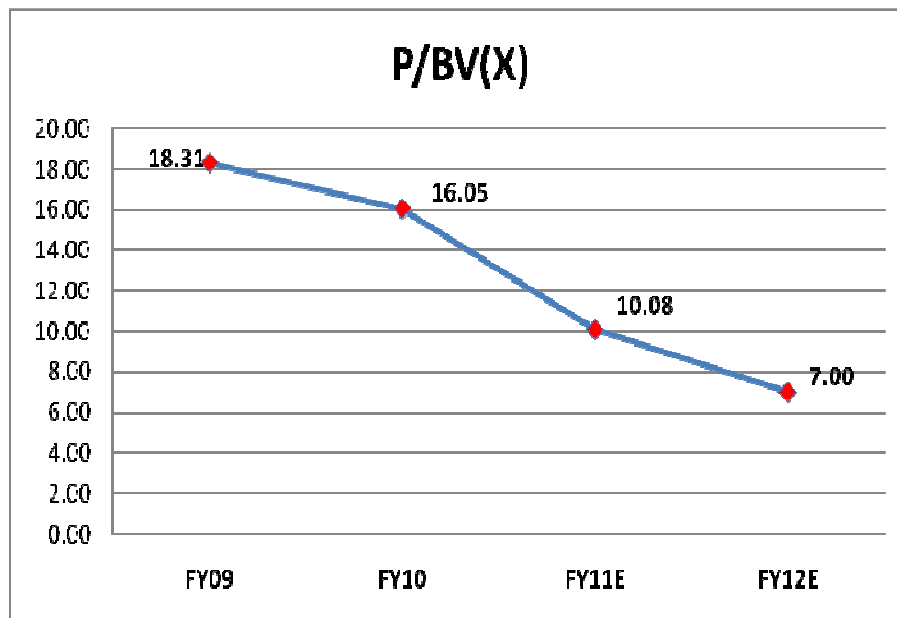
### ➤ Net sales & PAT



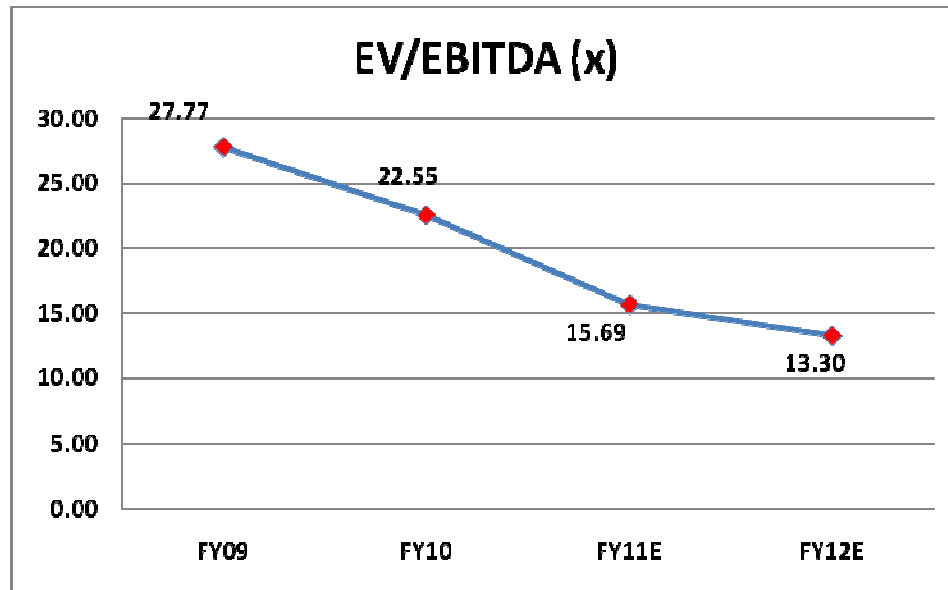
➔ **P/E Ratio (x)**



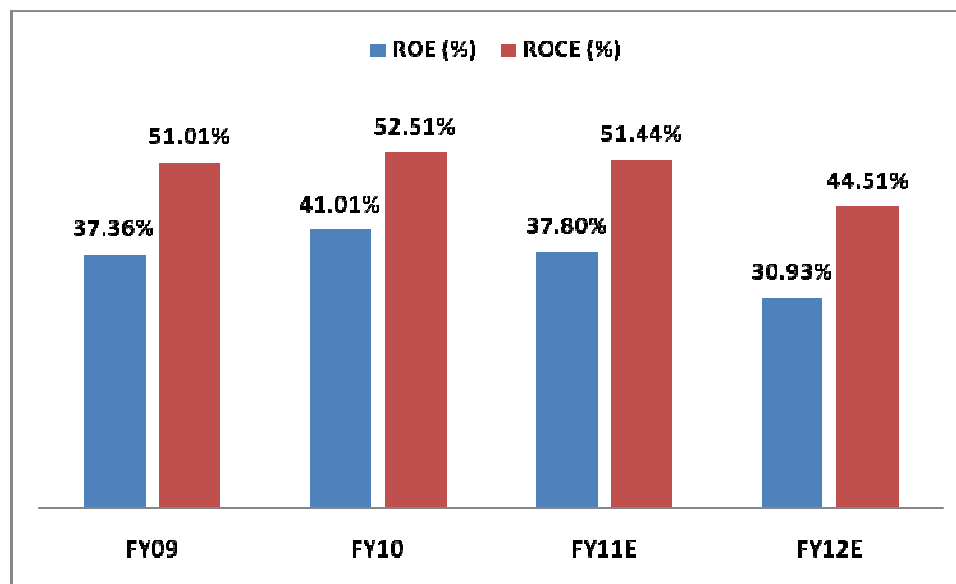
➔ **P/BV (X)**



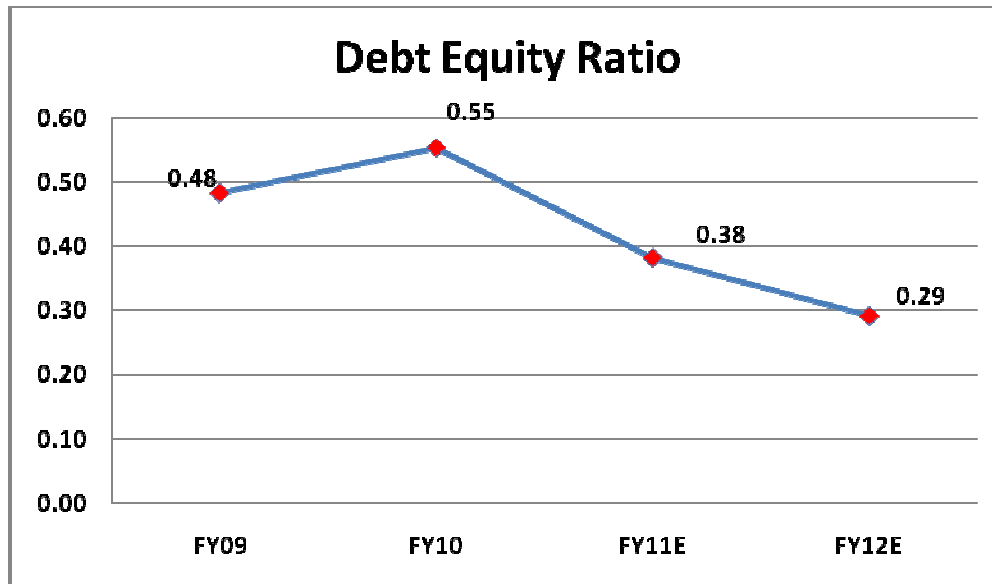
➔ **EV/EBITDA(X)**



➔ **ROE & ROCE**



## ➔ Debt Equity Ratio



### **Outlook and Conclusion**

- ✚ At the market price of Rs.1425.00, the stock is trading at 27.10 x and 22.87 x for FY11E and FY12E respectively.
- ✚ On the basis of EV/EBDITA, the stock trades at 15.69 x for FY11E and 13.30 x for FY12E.
- ✚ Price to book value of the company is expected to be at 10.08 x for FY11E and 7.00 x for FY12E respectively.
- ✚ EPS of the company is expected to be at Rs.52.59 and Rs.62.30 for the earnings of FY11E and FY12E respectively.
- ✚ The company's net sales and net profit are expected to grow at a CAGR of 32% and 30% over FY09 to FY12E.
- ✚ We recommend 'BUY' this stock with a target price of Rs.1638.00 for medium to long term investment.

## **Industry Overview**

### **Textiles**

The Indian textile industry contributes about 14 per cent to industrial production, 4 per cent to the country's gross domestic product (GDP) and 17 per cent to the country's export earnings, according to the Annual Report 2009-10 of the Ministry of Textiles.

The industry provides direct employment to over 35 million people and is the second largest provider of employment after agriculture.

According to the Ministry of Textiles, the total cloth production increased by 10.2 per cent during September 2010 as compared to September 2009. The highest growth was observed in the power loom sector (13.2 per cent), followed by hosiery sector (9.1 per cent). The total cloth production during April-September 2010 has increased by 2.1 per cent compared to the same period of the previous year.

As per the latest data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), Kolkata, the total textile exports during April-July 2010 (provisional) were valued at US\$ 7.58 billion as against US\$ 7.21 billion during the corresponding period of the previous year, registering an increase of 5.20 per cent in rupee terms. The share of textile exports in total exports was 11.04 per cent during April-July 2010, according to the Ministry of Textiles.

As per the Index of Industrial Production (IIP) data released by the Central Statistical Organisation (CSO), cotton textiles has registered a growth of 8.2 per cent during April-September 2010-11, while wool, silk and man-made fibre textiles have registered a growth of 2.2 per cent while textile products including wearing apparel have registered a growth of 3 per cent.

As per a Ministry of Textiles press release dated November 2, 2010, India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach US\$ 80 billion by 2020.

## **Technical Textile Segment**

According to the Ministry of Textiles, technical textiles are an important part of the textile industry. The Working Group for the Eleventh Five Year Plan has estimated the market size of technical textiles to increase from US\$ 5.29 billion in 2006-07 to US\$ 10.6 billion in 2011-12, without any regulatory framework and to US\$ 15.16 billion with regulatory framework. The Scheme for Growth and Development of Technical Textiles aims to promote indigenous manufacture of technical textile to leverage global opportunities and cater to the domestic demand.

Further, the government is set to launch US\$ 44.21 million mission for promotion of technical textiles, while the Finance Ministry has cleared setting up of four new research centres for the industry, which include products like mosquito and fishing nets, shoe laces and medical gloves.

As per a joint study of the Ministry of Textiles and an industry body, the global technical industry is estimated at US\$ 127 billion and its size in India is pegged at US\$ 11 billion.

## **Government Initiative**

According to the Ministry of Textiles, investment under the Technology Upgradation Fund Schemes (TUFS) has been increasing steadily. During the year 2009-10, 1896 applications have been sanctioned at a project cost of US\$ 5.23 billion. The cumulative progress as on December 31, 2009, includes 27,477 applications sanctioned, which has triggered investment of US\$ 45.5 billion and amount sanctioned under TUFS is US\$ 18.9 billion of which US\$ 16.4 billion has been disbursed so far till the end of April, 2010. The Ministry of Textile has sanctioned a total of US\$ 133 million under TUFS during September 2010.

Moreover, in May 2010, the Ministry of Textiles informed a parliamentary panel that it proposes to allocate US\$ 785.2 million for the modernisation of the textile industry.

The Scheme for Integrated Textile Park (SITP) was approved in July 2005 to facilitate setting up of textiles parks with world class infrastructure facilities. 40 textiles park projects have been sanctioned under the SITP, out of which 25 textile parks are already in operation. Ms Panabaaka Lakshmi, Minister of State for Textiles, stated on November 25, 2010 under the SITP, about US\$ 763.7 million has been invested into the scheme and generated employment for 15,000 textiles workers.

Further, 100 per cent FDI is allowed in the textile sector under the automatic route.

In the Union Budget 2010-11 presented in February 2010, the Finance Minister made the following announcements to benefit the textile industry:

- The central plan outlay for the industry has been enhanced to US\$ 1.03 billion. Of this US\$ 521.4 million is for TUFs, US\$ 76 million for SITP, US\$ 80.2 million for handlooms, US\$ 69.3 million for handicrafts and US\$ 98.4 million for sericulture.
- Allocation for textiles and jute industry is US\$ 713.4 million.
- The total allocation for village and small enterprises sector which include handicrafts and handlooms is US\$ 210.3 million.
- US\$ 31.5 million has been provided for development of mega clusters in handlooms, handicrafts and powerloom sectors.
- Customs duty at 4 per cent for import of readymade garments for retail sales has been withdrawn.
- The micro small medium enterprises in textiles sector have been given full CENVAT credit on capital goods in one installment in the year of receipt of such goods and the facility of payment of excise duty in quarterly basis.

The Minister of Textiles launched the Knitwear Technology Mission being setup at Tirupur, Tamil Nadu, as part of Plan Scheme of the Ministry. The Mission is aimed at upgrading the technology and skill levels in the knitwear segment of the textile industry, to bring in more export competitiveness.

### **Investments**

The textiles industry has attracted foreign direct investment (FDI) worth US\$ 861.47 million between April 2000 and September 2010, according to data released by the Department of Industrial Policy and Promotion.

- NSL Textiles has set up a textile processing facility at Chandolu near Guntur, Andhra Pradesh with an investment of US\$ 64.23 million.
- TT Ltd, an integrated textile and knitwear manufacturing and exporter, plans to invest US\$ 33.46 million to enhance its yarn making capacity and retail venture.
- Textiles Company Alok Industries will be investing US\$ 193.46 million over the next two years to increase capacity across its product portfolio. The amount would be spread equally for the two-year period with an investment of US\$ 96.73 million being made each year.

## **The Road Ahead**

The Synthetic and Rayon Textile Export Promotion Council (SRTEPC) has set a target to more than double the export of man-made textile from the country. Presently, the global man-made fibre (MMF) trade accounts for 60 per cent of the total trade in textiles. SRTEPC plans to increase exports to US\$ 6.2 billion by capturing four per cent market share by 2011-12, stated G.K. Gupta, Chairman, SRTEPC.

With an increased focus on catering to the domestic market, the denim industry in India expects the production capacity to rise by 100 million metres by 2011. According to the Textile Association of India (TAI), the denim manufacturing capacity, which stands at 600-650 million metres per annum, is set to witness an addition by another 100 million metres wherein 70 per cent focus will be on the domestic market.

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*For Further Details Contact:*

*3rd Floor, Sankalp, The Bureau, Dr.R.C.Marg, Chembur, Mumbai 400 071*

*Tel.: 022-2527 2510/2527 6077/25276089 Telefax: 022-25276089*

*E-mail: info@firstcallindiaequity.com*

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