

### Festive season shift hampered volume performance

Page Industries' reported a flat volume growth as the quarter witnessed unfavorable base due to shift in festive season. Consequently, the sales growth came below our estimate. Nevertheless, volume growth in Q3 is expected to recover completely driven by favorable working conditions for the company. Though operational performance during the quarter came below our estimate, we believe that recent price hikes and revamp in volume growth would help the margins to improve in the ensuing quarters. We continue to believe that the company has strong brand recognition which would help it to maintain strong volume growth in the long run. In addition, with the changing economy, branded innerwear market would continue to report double-digit volume growth and Page will enhance the most, being a leader in the category. Considering leadership in the premium segment we do not see price pass on as a challenge to mitigate inflation. We have maintained our est. **Maintain BUY** with a TP of ₹ 35,000. Considering niche play in the high growth category, we believe that the stock would continue to attract premium valuation.

### Lackluster volume performance in most categories

Page registered a flat vol growth (-0.1%) due to unfavorable base (festive season shift). The men's category was highly impacted as it reported 3.2% de-growth during the quarter. In addition, mere 3.9% volume growth in both Women, Sports category was not impressive. Nevertheless, Speedo recorded 35.9% volume growth, was a satisfactory performance. Going ahead, we believe that the continuous increase in distribution reach would help Page to accelerate its revenues. We continue to believe that branded innerwear market present huge growth opportunity and increase in distribution and GST would help the industry to flourish.

### Operational performance was below estimate

Net Sales increased 10.4% YoY to ₹ 6.9bn. GM expanded by mere 20bps. Employee costs and other expenses remained broadly flat at 17.2% and 20% respectively. Consequently, EBITDA margin was stable at 20.7%. EBITDA increased 11.2% to ₹ 1.4bn – came below our estimate.

### Q2FY19 Result (₹ Mn)

Particulars	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	6,908	6,257	10.4	8,153	(15.3)
Total Expense	5,479	4,973	10.2	6,260	(12.5)
EBITDA	1,428	1,284	11.2	1,893	(24.5)
Depreciation	76	68	12.5	72	5.5
EBIT	1,352	1,216	11.1	1,820	(25.7)
Other Income	108	49	121.4	72	50.5
Interest	40	36	10.9	40	1.8
EBT	1,420	1,229	11.1	1,852	(23.4)
Tax	494	389	27.0	608	(18.8)
RPAT	926	841	10.2	1,244	(25.6)
APAT	919	837	9.8	1,237	(25.7)
			(bps)		(bps)
Gross Margin (%)	57.8	57.6	20	55.0	287
EBITDA Margin (%)	20.7	20.5	15	23.2	(254)
NPM (%)	13.4	13.4	(2)	15.3	(185)
Tax Rate (%)	34.8	31.6	315	32.8	193
EBIT Margin (%)	19.6	19.4	13	22.3	(275)

CMP	₹ 28,885
Target / Upside	₹ 35,000 / 21%
BSE Sensex	35,145
NSE Nifty	10,583

### Scrip Details

Equity / FV	₹ 112mn / ₹ 10
Market Cap	₹ 322bn
	US\$ 4bn
52-week High/Low	₹ 36,370/₹ 18,001
Avg. Volume (no)	44,318
NSE Symbol	PAGEIND
Bloomberg Code	PAG IN

### Shareholding Pattern Sep'18(%)

Promoters	48.3
MF/Banks/FIs	4.5
FII	37.8
Public / Others	9.4

### Valuation (x)

	FY18A	FY19E	FY20E
P/E	92.8	72.3	57.9
EV/EBITDA	59.2	46.0	36.8
ROE (%)	45.9	46.1	45.2
RoACE (%)	40.6	42.6	42.4

### Estimates (₹ mn)

	FY18A	FY19E	FY20E
Revenue	25,514	30,033	36,186
EBITDA	5,407	6,940	8,638
PAT	3,470	4,454	5,566
EPS (₹)	311.2	399.5	499.2

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### Significant price hikes during the quarter

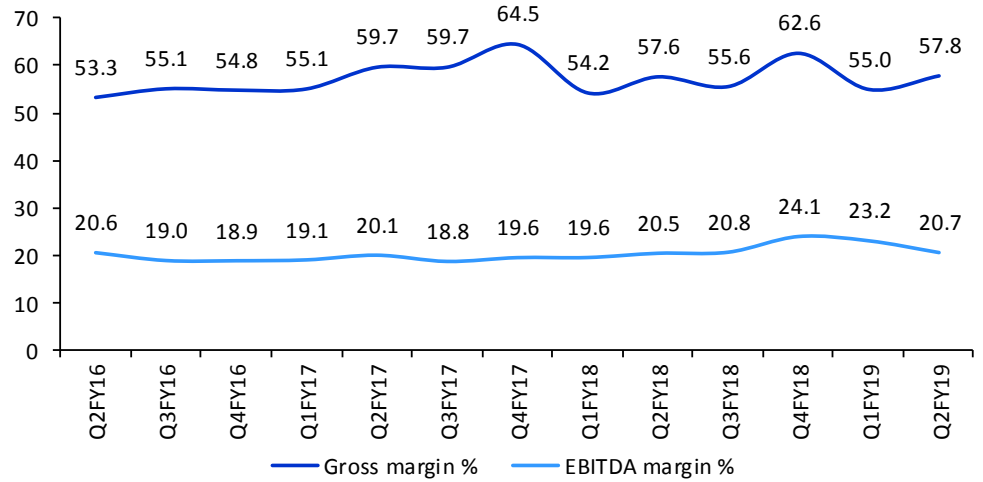
Average realisation during the quarter was higher by 10% as the company has implemented price hikes in Q1. We believe that the price hikes would help Page to secure margins in the near term. We do not see further deterioration in volumes considering continuous increase in distribution.

### Exhibit 1: Segmental Performance

Particulars (₹mn)	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
<b>Volume Breakup</b>					
Men	23.3	24.0	(3.2)	27.9	(16.6)
% mix	55.6	57.4		55.3	
Women	9.5	9.2	3.9	11.1	(14.4)
% mix	22.8	21.9		22.1	
Leisure wear	8.9	8.6	3.9	11.1	(20.0)
% mix	21.3	20.5		22.1	
Speedo	0.1	0.1	35.9	0.3	
% mix	0.3	0.2		0.5	
<b>Total</b>	<b>41.80</b>	<b>41.85</b>	<b>(0.1)</b>	<b>50.42</b>	<b>(17.1)</b>
<b>Realisation (₹)</b>					
Men	137.1	124.9	9.8	134.7	1.8
Women	149.1	139.3	7.0	147.2	1.3
Leisure wear	237.4	214.5	10.6	220.9	7.5
Speedo	618.5	741.0	(16.5)	774.8	(20.2)
Avg Realisation	162.5	147.6	10.1	159.8	1.7
<b>Value (₹ mn)</b>					
Men	3,188	2,999	6.3	3,758	(15.2)
mix	46.9	48.6		46.6	
Women	1,421	1,278	11.2	1,638	(13.2)
mix	20.9	20.7		20.3	
Leisure wear	2,115	1,840	15.0	2,461	(14.0)
mix	31.1	29.8		30.5	
Speedo	68.0	60.0	13.4	201.4	(66.2)
mix	1.0	1.0		2.5	
<b>Total</b>	<b>6,792</b>	<b>6,177</b>	<b>10.0</b>	<b>8,058</b>	<b>(15.7)</b>

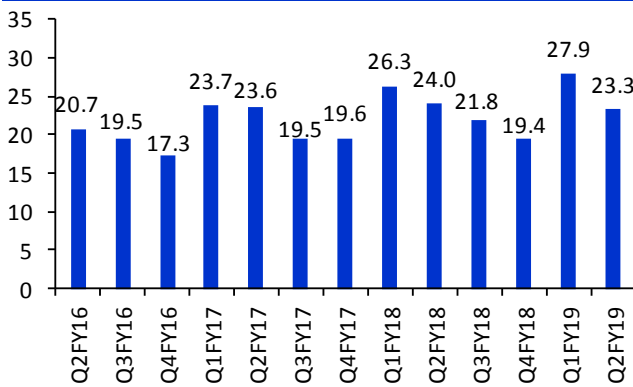
Source: DART, Company

**Exhibit 2: Quarterly trend in operating performance**



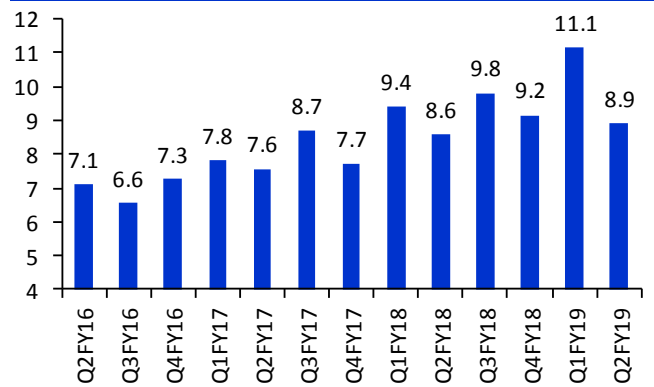
Source: DART, Company

**Exhibit 3: Trend in Men Volume (mn pieces)**



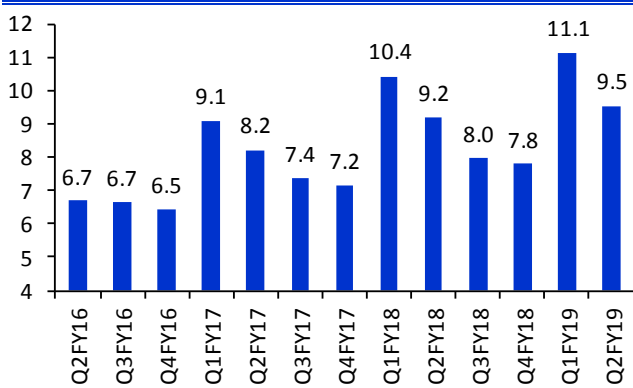
Source: DART, Company

**Exhibit 4: Trend in Sportswear Volume (mn pieces)**



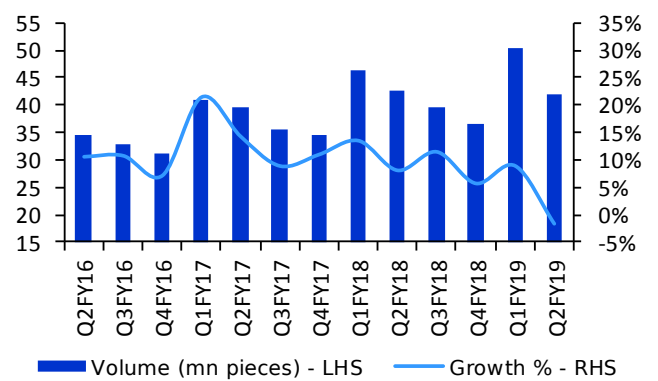
Source: DART, Company

**Exhibit 5: Trend in Women Volume (mn pieces)**



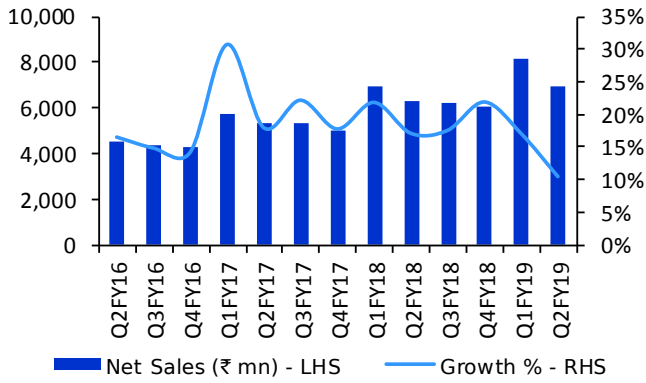
Source: DART, Company

**Exhibit 6: Trend in Overall Volumes (YoY)**



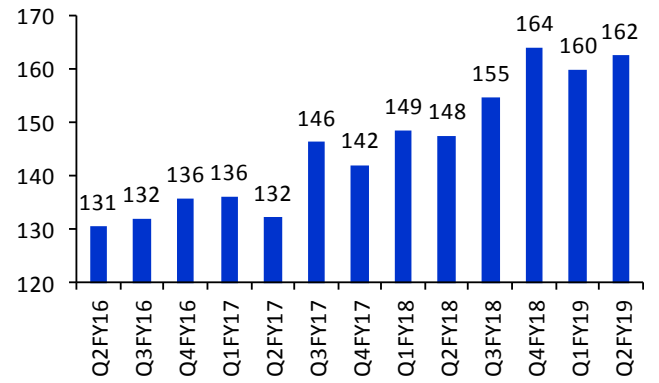
Source: DART, Company

**Exhibit 7: Trend in Net Sales (YoY)**



Source: DART, Company

**Exhibit 8: Trend in Blended Realization (₹/piece)**



Source: DART, Company

**Profit and Loss Account**

(₹ Mn)	FY17A	FY18A	FY19E	FY20E
<b>Revenue</b>	<b>21,284</b>	<b>25,514</b>	<b>30,033</b>	<b>36,186</b>
<b>Total Expense</b>	<b>17,152</b>	<b>20,107</b>	<b>23,093</b>	<b>27,548</b>
COGS	10,418	12,728	14,745	17,758
Employees Cost	3,756	4,065	4,675	5,376
Other expenses	2,978	3,314	3,674	4,413
<b>EBIDTA</b>	<b>4,132</b>	<b>5,407</b>	<b>6,940</b>	<b>8,638</b>
Depreciation	247	280	298	330
<b>EBIT</b>	<b>3,885</b>	<b>5,127</b>	<b>6,642</b>	<b>8,308</b>
Interest	180	166	230	260
Other Income	243	215	236	260
<b>EBT</b>	<b>3,948</b>	<b>5,175</b>	<b>6,648</b>	<b>8,308</b>
Tax	1,285	1,705	2,194	2,742
RPAT	2,663	3,470	4,454	5,566
<b>APAT</b>	<b>2,663</b>	<b>3,470</b>	<b>4,454</b>	<b>5,566</b>

**Balance Sheet**

(₹ Mn)	FY17A	FY18A	FY19E	FY20E
<b>Sources of Funds</b>				
Equity Capital	112	112	112	112
Minority Interest	0	0	0	0
Reserves & Surplus	6,546	8,361	10,731	13,692
<b>Net Worth</b>	<b>6,658</b>	<b>8,473</b>	<b>10,843</b>	<b>13,804</b>
Total Debt	877	686	700	700
Net Deferred Tax Liability	112	110	100	100
<b>Total Capital Employed</b>	<b>7,646</b>	<b>9,268</b>	<b>11,643</b>	<b>14,604</b>

**Applications of Funds**

Net Block	2,361	2,379	2,582	2,751
CWIP	241	585	585	585
<b>Current Assets, Loans &amp; Advances</b>	<b>8,332</b>	<b>10,549</b>	<b>13,006</b>	<b>16,146</b>
Inventories	6,229	5,678	6,418	7,733
Receivables	1,127	1,480	1,481	1,785
Cash and Bank Balances	206	669	946	2,165
Loans and Advances	249	543	1,481	1,785
<b>Less: Current Liabilities &amp; Provisions</b>	<b>3,288</b>	<b>4,246</b>	<b>4,531</b>	<b>4,879</b>
Payables	1,112	1,363	1,495	1,800
Other Current Liabilities	2,176	2,883	3,036	3,079
Net Current Assets	5,043	6,304	8,476	11,267
<b>Total Assets</b>	<b>7,646</b>	<b>9,268</b>	<b>11,643</b>	<b>14,604</b>

E – Estimates

**Important Ratios**

Particulars	FY17A	FY18A	FY19E	FY20E
<b>(A) Margins (%)</b>				
Gross Profit Margin	51.1	50.1	50.9	50.9
EBIDTA Margin	19.4	21.2	23.1	23.9
EBIT Margin	18.3	20.1	22.1	23.0
Tax rate	32.6	33.0	33.0	33.0
Net Profit Margin	12.5	13.6	14.8	15.4
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	48.9	49.9	49.1	49.1
Employee	17.6	15.9	15.6	14.9
Other	14.0	13.0	12.2	12.2
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	21.6	30.8	28.9	32.0
Inventory days	107	81	78	78
Debtors days	19	21	18	18
Average Cost of Debt	19.7	21.3	33.2	37.1
Payable days	19	19	18	18
Working Capital days	86	90	103	114
FA T/O	9.0	10.7	11.6	13.2
<b>(D) Measures of Investment</b>				
AEPS (₹)	238.8	311.2	399.5	499.2
CEPS (₹)	261.0	336.3	426.2	528.8
DPS (₹)	115.6	145.7	187.0	233.6
Dividend Payout (%)	48.4	46.8	46.8	46.8
BVPS (₹)	597.1	759.9	972.4	1238.0
RoANW (%)	44.5	45.9	46.1	45.2
RoACE (%)	37.5	40.6	42.6	42.4
RoAIC (%)	56.8	63.9	68.8	71.8
<b>(E) Valuation Ratios</b>				
CMP (₹)	28885	28885	28885	28885
P/E	120.9	92.8	72.3	57.9
Mcap (₹ Mn)	322,068	322,068	322,068	322,068
MCap/ Sales	15.1	12.6	10.7	8.9
EV	322,218	319,904	319,142	317,923
EV/Sales	15.1	12.5	10.6	8.8
EV/EBITDA	78.0	59.2	46.0	36.8
P/BV	48.4	38.0	29.7	23.3
Dividend Yield (%)	0.4	0.5	0.6	0.8
<b>(F) Growth Rate (%)</b>				
Revenue	18.5	19.9	17.7	20.5
EBITDA	10.1	30.8	28.4	24.5
EBIT	10.7	32.0	29.6	25.1
PBT	15.1	31.1	28.5	25.0
APAT	15.0	30.3	28.4	25.0
EPS	15.0	30.3	28.4	25.0
<b>Cash Flow</b>				
(₹ Mn)	FY17A	FY18A	FY19E	FY20E
CFO	2,844	4,778	3,587	4,583
CFI	(1,200)	(2,301)	(1,000)	(500)
CFF	(1,524)	(2,014)	(2,310)	(2,865)
FCFF	2,164	4,136	3,087	4,083
Opening Cash	86	206	669	946
Closing Cash	206	669	946	2,165

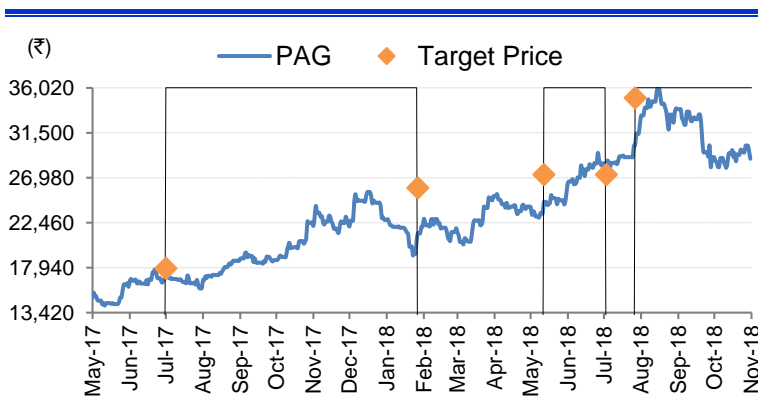
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)*
Jul-17	Accumulate	17,860	16,953
Feb-18	Buy	25,965	21,399
May-18	Buy	27,294	24,541
Jul-18	Buy	27,294	28,160
Aug-18	Buy	35,000	30,228

\*Price as on Recommendation Date

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