22 April 2024

Company Update | Sector: Consumer

Page Industries

BSE SENSEX	S&P CNX
73,088	22,147

PAGE INDUSTRIES LIMITED

Bloomberg	PAG IN
Equity Shares (m)	11
M.Cap.(INRb)/(USDb)	394.8 / 4.7
52-Week Range (INR)	43599 / 33070
1, 6, 12 Rel. Per (%)	2/-21/-33
12M Avg Val (INR M)	1074
Free float (%)	54.9

Financials & Valuations (INR b)

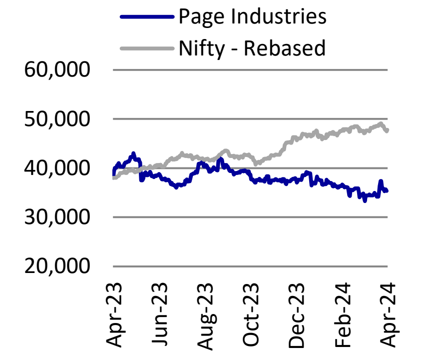
Y/E March	2024E	2025E	2026E
Sales	46.5	52.0	60.0
Sales Gr. (%)	-2.9	11.8	15.4
EBITDA	9.0	10.6	12.3
EBITDA mrg. (%)	19.3	20.3	20.5
Adj. PAT	5.9	7.1	8.2
Adj. EPS (INR)	526.4	636.2	738.3
EPS Gr. (%)	2.8	20.9	16.1
BV/Sh.(INR)	1440.7	1696.2	1992.8
Ratios			
RoE (%)	36.5	37.5	37.0
RoCE (%)	35.1	38.3	38.0
Payout (%)	70.0	70.0	70.0
Valuations			
P/E (x)	67.2	55.6	47.9
P/BV (x)	24.5	20.8	17.7
EV/EBITDA (x)	43.6	36.9	31.6
Div. Yield (%)	0.9	1.1	1.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	45.1	45.1	46.1
DII	26.6	24.6	21.9
FII	20.9	21.8	22.4
Others	7.4	8.5	9.6

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR35,391 TP: INR36,500 (+3%) Neutral

All eyes on inventory liquidation; the moat remains unchanged

We recently had an interaction with Mr. Deepanjan Bandyopadhyay, the CFO of Page Industries (PAGE), to gain insight into industry trends and PAGE's long-term growth drivers. Please find below our key meeting takeaways along with our perspective on the business:

Demand revival – a key monitorable

- According to our interaction with the management, the demand pressures appear to be stabilizing, and there should be a gradual recovery. However, the timing of full recovery remains uncertain, especially in normalizing the inventory levels. Industry demand is crucial during April to June as it will assist in reducing the high inventory levels. We will monitor the demand recovery in the next 60-90 days. Our initial checks suggest that the recovery has been marginal during the last 3-4 weeks. Within the high-channel inventory, no price hike is expected though yarn prices have experienced some inflation in the last few months.
- PAGE reported about 5% YoY decline in revenue during the last five quarters. It has slightly reduced its channel inventory, but inventory levels still exceed the desired levels. We are still awaiting more clarity on the near-term demand recovery. However, we expect that after a weak FY24 performance, the channel inventory should be normalized post-1QFY25.

Building a strong foundation for success

- PAGE's business moat lies in its focused approach to its core innerwear business, emphasizing innovation, quality, and R&D to stay ahead. PAGE upholds the aspirational value of the 'Jockey' brand, while being mindful of customer price points and refraining from excessive discounts.
- PAGE stands out by manufacturing its products in-house, with 15 manufacturing units predominantly located in Karnataka and Tamil Nadu. Over 80% of production is conducted in-house, allowing meticulous oversight of the entire manufacturing process.
- PAGE strategically expanded its distribution network across India through various channels, including multi-brand outlets (MBOs), exclusive brand outlets (EBOs), large format stores (LFS), and e-commerce platforms. With over 1,13,688 MBOs and 1,390 EBOs serviced by 4,170+ distributors, PAGE has a wide reach spanning 2,750+ cities and towns. The company has seen rapid growth in EBOs, achieving an 18% CAGR over the past five years. Implementing a direct channel distribution model, PAGE ensures exclusivity on shelf space and maintains efficient cash conversion cycles through strong supply chain control.

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- PAGE has among the most efficient cash conversion cycles in the innerwear market. The company gradually reduced its inventory days to 59 in FY22 from 101 in FY17. Due to weak demand in 2HFY23 and FY24, the company's inventory has piled up but it is still less than the peers. However, we expect inventory days to reduce due to PAGE's Automated Replenishment System (ARS). The ARS is a distributor management system that will improve the supply chain and help in having a better quality inventory, which will improve the inventory turn of distributors.
- The company spends ~3% of sales on A&P and plans to increase its marketing spending to drive business growth. PAGE is also very particular about its capital allocation, investing primarily in core projects with a minimum threshold of 20% RoCE. Additionally, management maintains a high dividend payout ratio of over 50%.

Our view

- PAGE continues to experience a weakness in growth amid subdued demand in the apparel industry. Weak demand has resulted in excess inventory at channel partners. Management is taking several initiatives to optimize channel inventory. The industry is expected to continue facing demand-led headwinds in the near term.
- Margins of innerwear companies were affected by increased discounts and volatile raw material prices. Additionally, companies had to increase advertising and promotion (A&P) expenses to stimulate volume growth, which affected operating margins. However, with demand showing signs of improvement, management indicated that the contraction in operating margins has ceased. PAGE is witnessing a gradual inventory adjustment towards an optimal level. This will increase full-priced sales, thus improving margins.
- Raw material prices spiked during 2020-22, but since then, prices have softened. Although raw material prices have increased recently, they are still within a broad range. We expect stability in raw material prices to continue. We model a 55-56% gross margin during FY25/FY26.
- We expect PAGE's revenue to grow at 14% CAGR over FY24-26, with an EBITDA margin of ~20% (close to its long-term average).

Valuation and View

- PAGE has had a remarkable track record of revenue and earnings growth over the past decade. For the decade ending FY24E, PAGE's sales/EBITDA/PAT are likely to post a 15%/14%/15% CAGR despite a challenging period. Earnings growth was fueled by best-of-breed sales growth, coupled with reduced utilization of the margin lever.
- We model a gradual recovery with sales/EBITDA/PAT CAGR of 14%/17%/18% over FY24-26E.
- The industry is likely to continue facing demand-led headwinds in the near term. Additionally, it will be crucial to monitor the channel inventory optimization. Though efficient cost-control measure is a positive sign, earnings outlook is still uncertain. **We reiterate our Neutral rating on the stock with a TP of INR36,500 (premised on 50x Mar'26E EPS).**

Outlook and recent trends

- **Long-term category growth potential intact**: The innerwear category forms ~8% of India's domestic apparel industry and it is growing at a rapid pace. According to industry estimates, the innerwear category is likely to clock a 10% CAGR to reach USD107b in 2025 from USD67b in 2020. This growth will be fueled by favorable demographics (a higher proportion of youth population, etc.) and rising income levels, which will further increase the share of branded products.
- **Weak growth over the last five quarters; PAGE reports 5% revenue decline:** The innerwear and athleisure segments witnessed a healthy demand recovery post-Covid, but a higher supply-demand ratio led to an escalation in channel inventory. Due to high channel inventory, the primary growth was weak. PAGE reported a 5% revenue contraction in the last five quarters.
- **Recent trend marginally positive; still uncertain about a meaningful near-term recovery**: According to our discussion with the management, demand pressures appear to be stabilizing, and a gradual recovery is expected. However, the timing of full recovery remains uncertain, especially in normalizing the inventory levels. Industry demand is crucial during April to June as it will assist in reducing the high inventory levels. We will monitor the demand recovery in the next 60-90 days. Our initial checks suggest that the recovery has been marginal during the last 3-4 weeks. Within the high-channel inventory, no price hike is expected though yarn prices have experienced some inflation in the last few months.
- **Outlook:** PAGE reported about 5% YoY decline in revenue during the last five quarters. It has slightly reduced its channel inventory, but inventory levels still exceed the desired levels. We are still awaiting more clarity on the near-term demand recovery. However, we expect that after a weak FY24 performance, the channel inventory should be normalized post-1QFY25. We model 12% and 15% revenue growth in FY25 and FY26, respectively.

Exhibit 1: Jockey's product portfolio

Source: MOFSL, Company

Innerwear category

- **Men's innerwear**: This category contributes 7% to the overall men's wear category, with the industry size close to USD2b in FY20. The industry is projected to grow at more than 10% over the medium term.
- PAGE's target consumers are close to 180m (>INR0.5m annual income). On average, they purchase four items per year, consisting of two bottoms and two tops. It generates a total market size of 720m pieces per year. In this total addressable market (TAM), PAGE commands a 20% market share.
- Despite the presence of several brands in the innerwear market, branded products still hold a small market share. PAGE has a 20% market share in men's innerwear. The target universe can grow at 10-11% in volume, 3% in realization mix, and 3% in price hike in the medium term. Therefore, sustainable revenue growth for PAGE can be 16-17% for men's innerwear in the medium term. Lux, Rupa, and Dollar combined contribute a 20% market share. The size of its comparable brand, Van Heusen, is small.

Exhibit 2: Men's innerwear – price comparison

Men's innerwear (per piece)								
Super Premium	Brands	DeFacto	Calvin Klein	Gant	US Polo	Van Heusen	Trendyol	XYXX
> INR1,200	No of SKU's	65	68	37	200	108	33	167
Premium	Brands	**Jockey**	FCUK	Tommy Hilfiger	Van Heusen	US polo	DeFacto	
INR 600-1,200	No of SKU's	**294**	14	3	262	170	2	
Mid	Brands	**Jockey**	levis	Aamarsh	Van Heusen	Aimly	Almo	
INR 300-600	No of SKU's	**973**	179	629	715	423	225	
Branded Low / Economy	Brands	Dollar	VIP	Lux	Macroman	Amul	Rupa	
INR 120 -300	No of SKU's	351	22	71	3		21	

Source: MYNTRA, MOFSL, Company

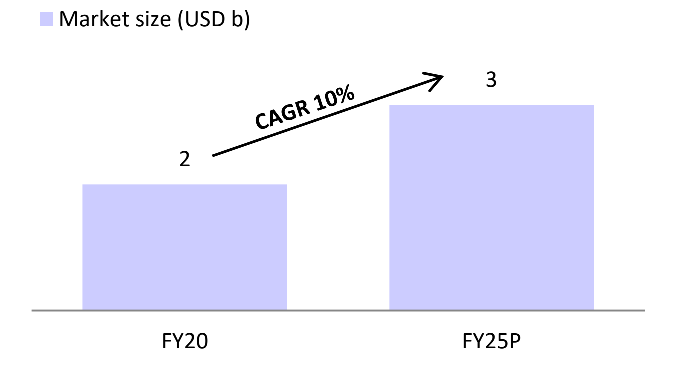
- **Women's innerwear:** The women's innerwear market is larger than the men's innerwear market, with the industry size of around USD4.5b in FY20. It is expected to grow at 14% CAGR over the medium term, especially in the premium segments.
- Although Jockey entered the women's wear segment later; it quickly gained momentum, outpacing the growth in men's innerwear. Black, white, and grey colors dominate, comprising 65-70% of the volume. Fashion innerwear, despite its popularity, presents inventory challenges due to lower stock turnover rates. Jockey's fashion innerwear constitutes ~10% of its total offerings.
- In the western market, Lovable dominates; Amante holds strong in the northern market, while Jockey stands out as the sole national brand. The brand loyalty is relatively low in women's wear, with consumers often preferring familiar channels. Overall, the women's innerwear market presents unique challenges compared to men's.

Exhibit 3: Women's innerwear – price comparison

Women's innerwear (per piece basis)									
Super Premium	Brands	**Jockey**	Amarsh	Amante	Zivame	Triumph	Adidas	Under Armor	Van Heusen
INR 600- 2000	No of SKU's	**82**	691	120	63	234	72	11	52
Premium	Brands	**Jockey**	Amarsh	Amante	Enamor	lovable	Pretty Secrets	Bodycare	Clovia
INR 400-600	No of SKU's	**240**	408	450	120	78	1	143	583
Mid Premium/Economy	Brands	Clovia	Amarsh	Amante	Inner sense	Pretty Cat	Reveira	Rosaline	
INR 100 -400	No of SKU's	547	361	150	9	144	289	423	

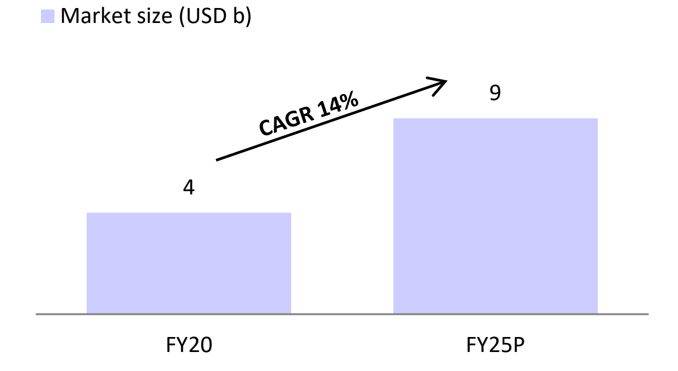
Source: MYNTRA, MOFSL, Company

Exhibit 4: Men's innerwear is likely to post a CAGR of 10% over FY20-FY25



Source: MOFSL, Company

Exhibit 5: Women's innerwear is likely to report a CAGR of 14% over FY20-FY25



Source: MOFSL, Company

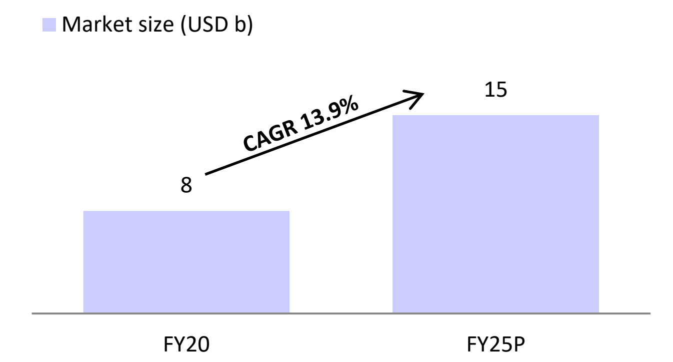
- **Athleisure-wear:** The Indian men's casual and activewear category size is close to ~USD8b in FY20 and is likely to clock a 14% CAGR; while women's casualwear category size is close to ~USD1b in FY20 and is expected to post a 16% CAGR over the medium term.
- The company offers a range of products across different categories, including loungewear (capris, pajamas, and boxers), casual wear (t-shirts), sportswear (track pants, shorts, muscle tees, socks), and thermal wear. Jockey holds a market share of 7-8% in the athleisure industry.
- Athleisure is a potentially high-growth business; therefore, the company is looking to reset the pricing strategy as the common perception is that it is slightly expensive.

Exhibit 6: Leisurewear – price comparison

Athleisure (per piece)										
Super Premium	Brands	Adidas	Asics	Columbia	Under Armour	Lacoste	Nike	Puma		
> INR1200	No of SKU's	692	343	115	269	15	511	2400		
Premium	Brands	**Jockey**	HRX	Van Heusen	Wrogn	Applause	Alcis	Athlisis	Friskers	Jump
INR 600-1200	No of SKU's	**127**	482	150	99	579	385	162	175	300
Mid	Brands	**Jockey**	Ajile by Pantaloons	Campus Sutra	HRX	Wrogn				
INR 300-600	No of SKU's	**48**	277	224	1361	165				
Branded Low / Economy	Brands	HRX	TechnoSport	Urknit	Sports52Wear					
INR 120 -300	No of SKU's	591	120	37	30					

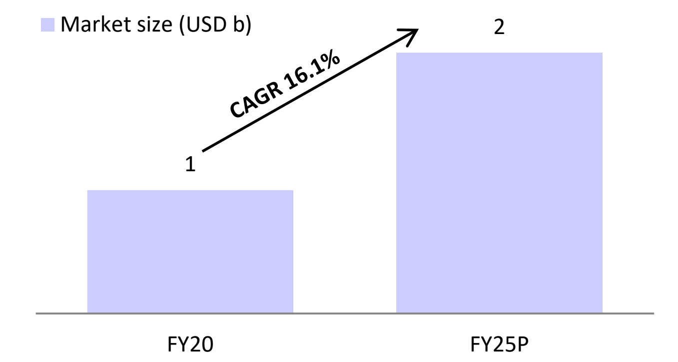
Source: MYNTRA, MOFSL, Company

Exhibit 7: Men's casualwear is expected to report a CAGR of 13.9% over FY20-FY25



Source: MOFSL, Company

Exhibit 8: Women's casualwear is likely to clock a CAGR of 16.1% over FY20-FY25



Source: MOFSL, Company

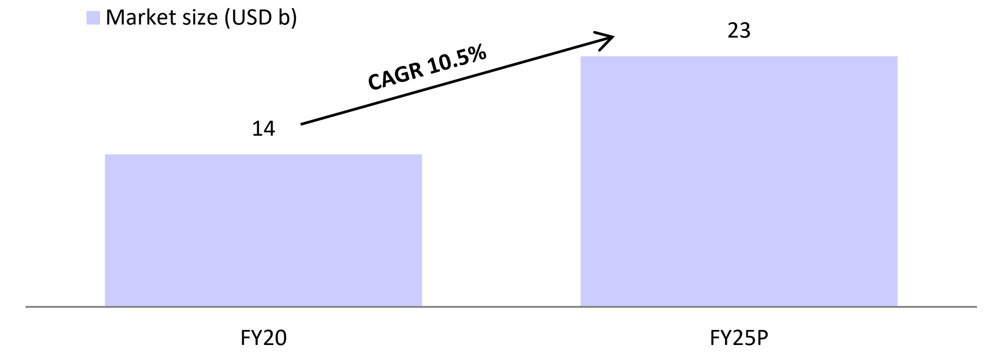
- **Kidswear:** The Indian kidswear market is close to ~USD14b in FY20 and is expected to report a CAGR of 10%. The three major categories are uniforms, t-shirts/shirts, and bottomwear, which contribute 37%, 24%, and 18% of the overall kidswear market, respectively. The kids' denims segment is showing a rapid growth rate of 13% YoY.

Exhibit 9: Kidswear (pack of five) – price comparison

Super Premium	Brands	Calvin Klein	Gant			
> INR800	No of SKU's	4	3			
Premium	Brands	Bodycare	Calvin Klein	Kanvin	Lux Cozi	Vimal Jonney
INR 500-800	No of SKU's	320	47	702	77	132
Mid	Brands	**Jockey**	US Polo Assn	M&S	Van Heusen	Bodycare
INR 300-500	No of SKU's	**42**	50	10	130	394
Branded Low / Economy	Brands	**Jockey**	Dchica	Fame Forever	Dollar	Zivame
<INR 300	No of SKU's	**11**	79	23	18	21

Source: MYNTRA, MOFSL, Company

Exhibit 10: Indian kidswear market is likely to post a 10.5% CAGR over FY20-FY25



Source: MYNTRA, MOFSL, Company

- **Speedo:** PAGE has entered into an exclusive licensing agreement with Speedo International for the production and distribution of Speedo swimwear, water shorts, apparel, equipment, and footwear. Currently, Speedo has a 2% contribution to the company's revenue. Speedo is a profitable brand for the company.

Exhibit 11: Speedo – product portfolio

Source: MOFSL, Company

Key growth drivers

In-house manufacturing – a key economic moat

- Most of the Indian innerwear companies procure finished goods from third-party contractors, while PAGE, with more than 80% in-house production capacity (of 280m pieces per year), is well positioned to enjoy the benefits of in-house manufacturing. With its own setup, the company is able to monitor every stage of the manufacturing process, including designing, raw materials, production process, packaging, and final products. As of 9MFY24, PAGE had 15 manufacturing units (14 in Karnataka and 1 in Tamil Nadu), spread across 2.2m sqft. The company planned to establish a new plant in Odisha.

Exhibit 12: Manufacturing units and location in India

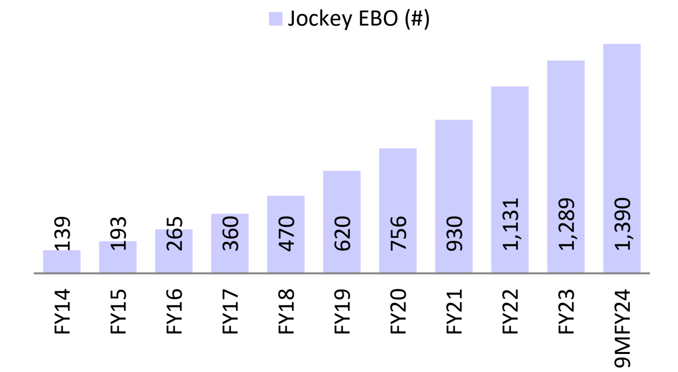
Location	Units	Employees
Bangalore	6	8,075
Mysore	3	4,336
Hassan	3	3,584
Gowribidanur	1	1,421
Tiptur	1	951
Tirpur	1	202
Grand Total	**15**	**18,569**

Source: MOFSL, Company

Retail footprint expansion

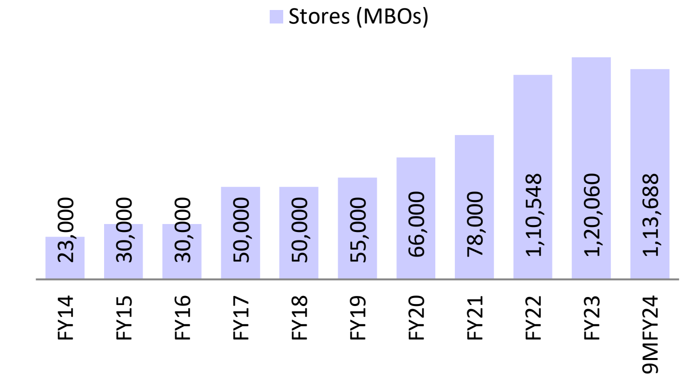
- PAGE strategically expanded its distribution network across India through various channels, including multi-brand outlets (MBOs), exclusive brand outlets (EBOs), large format stores (LFS), and e-commerce platforms. This focused effort on distribution expansion has significantly contributed to robust growth. As of Dec'23, PAGE had 1,13,688 MBOs and 1,390 EBOs serviced by 4,170+ distributors. PAGE has a wide reach spanning 2,750+ cities and towns.
- The proportion of EBOs and online channels has been steadily increasing in recent years, despite the company's expansion into Tier 3 and Tier 4 towns. Jockey remains accessible in smaller centers due to its affordable pricing, although the product mix may not be as attractive compared to Metro and Tier 1 cities. Competition from brands, such as Rupa and Dollar, intensifies in these regions.
- PAGE has witnessed a faster CAGR in EBOs, at 18%, over the past five years.

Exhibit 13: EBO count has jumped 10x in the last 10 years…



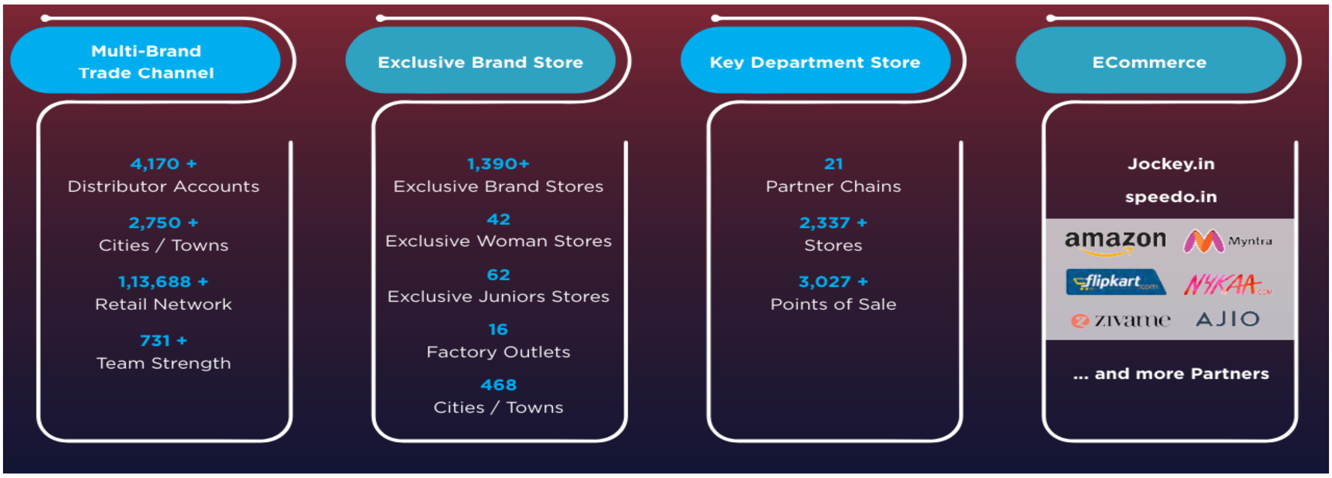
Source: MOFSL, Company

Exhibit 14: ...along with the increase in MBOs



Source: MOFSL, Company

Exhibit 15: PAGE market coverage

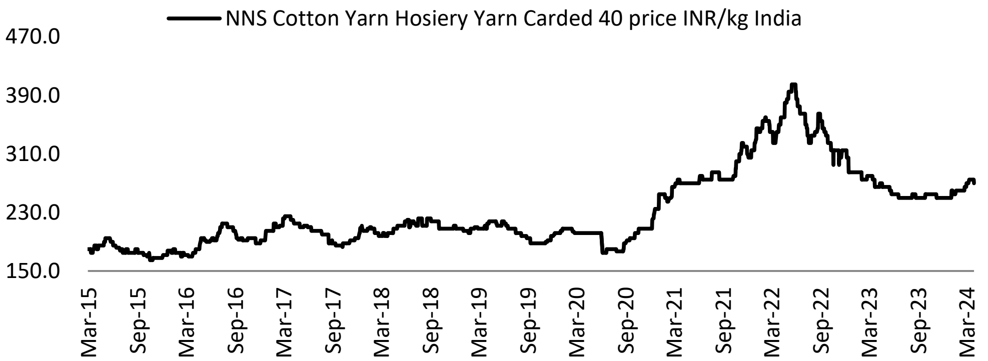


Source: MOFSL, Company

Headroom for margin expansion

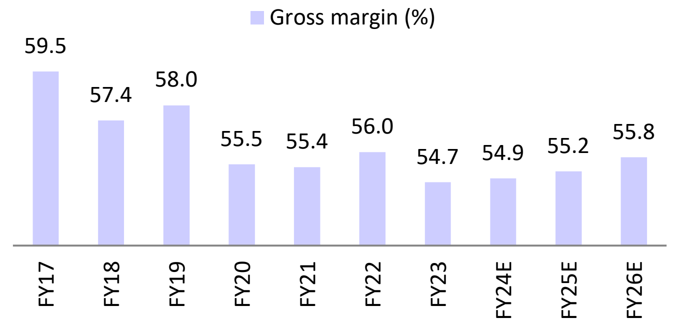
- Raw material prices spiked during 2020-22, but since then, prices have softened. Although raw material prices have increased recently, they are still within a broad range. We expect stability in raw material prices to continue. We model a 55-56% gross margin during FY25/FY26.
- Innerwear companies' margins were hit by higher discounts in the past few quarters. However, PAGE did not press the discount lever to drive volume. However, subdued demand and lower-than-expected revenue growth put pressure on PAGE's EBITDA margins. However, with demand uptick, the company will see a gradual inventory correction and settle to an optimum level. With stability in raw material prices, we believe PAGE will be able to sustain an EBITDA margin of ~20% for FY25E/FY26E.

Exhibit 16: Yarn price has reduced ~30% from its peak level…



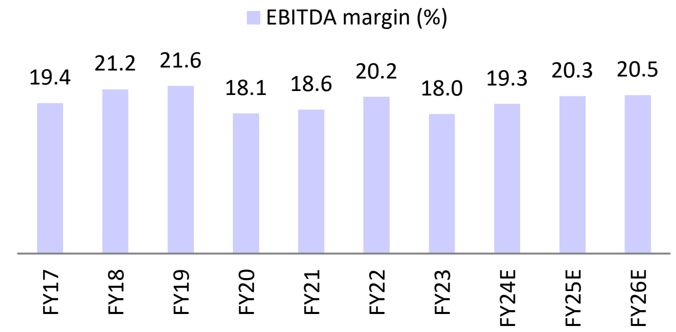
Source: MOFSL, Company

Exhibit 17: …which led to gross margin expansion



Source: MOFSL, Company

Exhibit 18: EBITDA margin is maintained at 20-21% for the past many years



Source: MOFSL, Company

Exhibit 19: Peer comparison

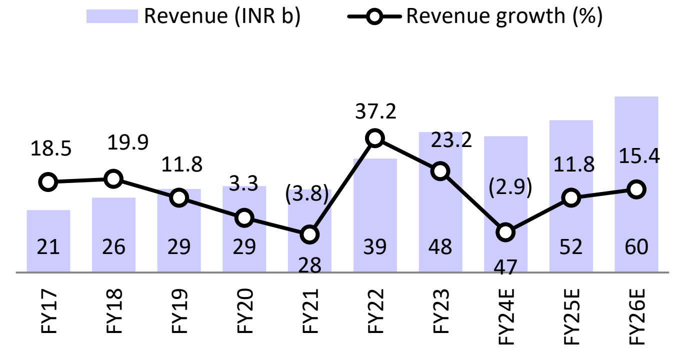
Sales (INR m)	FY18	FY19	FY20	FY21	FY22	FY23	9MFY24
Page	25,514	28,522	29,454	28,330	38,865	47,886	35,863
Dollar	9,825	10,288	9,693	10,370	13,503	13,938	10,723
Rupa	11,568	11,547	9,746	13,127	14,741	11,431	8,160
Lux	10,775	12,070	16,678	19,525	22,959	23,787	16,067
GP margin (%)							
Page	57.4	58.0	55.5	55.4	56.0	54.7	53.9
Dollar	58.7	57.9	53.7	57.1	54.5	45.6	55.1
Rupa	55.1	57.1	58.9	53.3	57.0	46.9	51.5
Lux	54.8	52.1	60.4	57.2	61.8	48.0	55.6
EBITDA (INR m)							
Page	5,407	6,169	5,326	5,266	7,855	8,628	7,051
Dollar	1,239	1,357	1,046	1,381	2,198	982	1,015
Rupa	1,555	1,511	1,137	2,573	2,685	889	767
Lux	1,542	1,779	2,689	3,804	4,732	2,142	1,177
EBITDA margin (%)							
Page	21.2	21.6	18.1	18.6	20.2	18.0	19.7
Dollar	12.6	13.2	10.8	13.3	16.3	7.0	9.5
Rupa	13.4	13.1	11.7	19.6	18.2	7.8	9.4
Lux	14.3	14.7	16.1	19.5	20.6	9.0	7.3

Source: MOFSL, Company

Robust financial performance

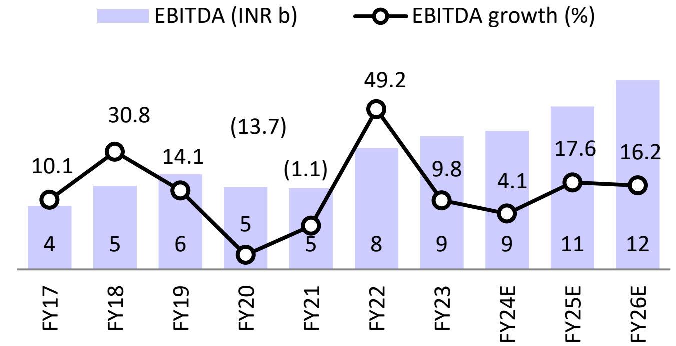
- The strength of PAGE's business model is also reflected in its financials. However, in FY24, its performance was hit by subdued demand in the overall innerwear and athleisure markets. Despite a weak performance in FY24, PAGE delivered a CAGR of 15% in sales, 14% in EBITDA, and 15% in PAT over the FY14-24 period, which was characterized by challenging macro environment. The company has also posted a high-single digit volume CAGR in the same period.

Exhibit 20: Revenue likely to post 14% CAGR over FY24-26E…



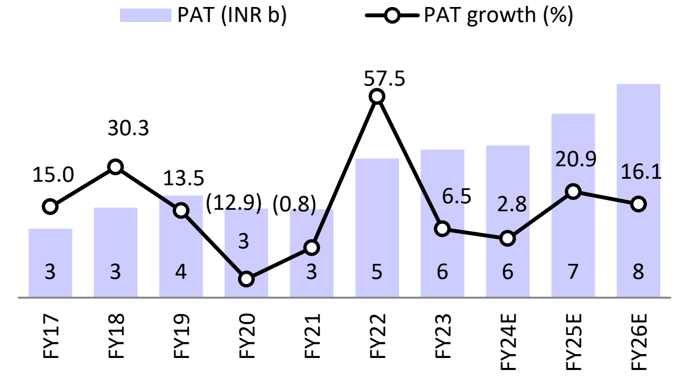
Source: MOFSL, Company

Exhibit 21: ..along with 17% EBITDA CAGR



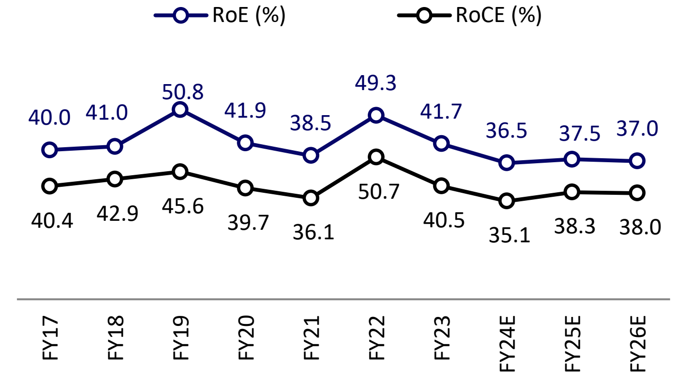
Source: MOFSL, Company

Exhibit 22: Profit will clock 18% CAGR over FY24-26E



Source: MOFSL, Company

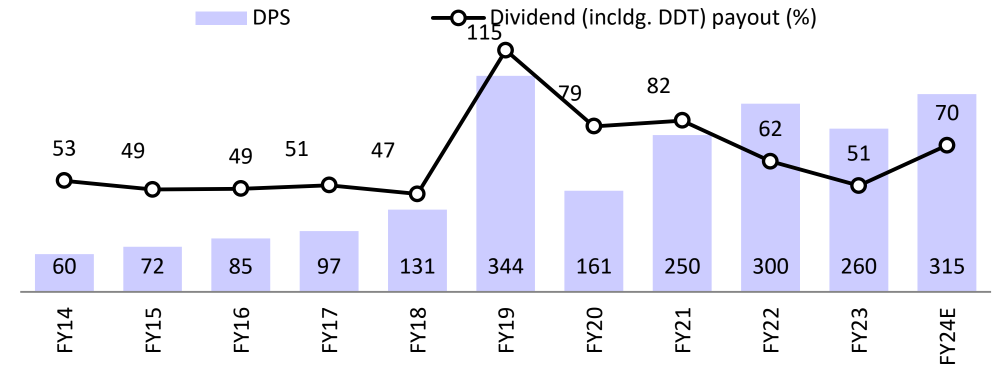
Exhibit 23: Strong return ratio over the years



Source: MOFSL, Company

- PAGE's dividend payout was affected in FY22 and FY23, but is anticipated to improve in FY24.

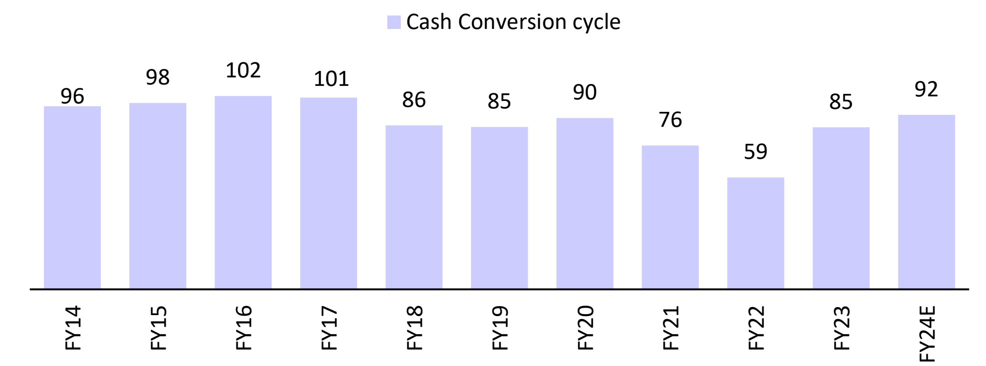
Exhibit 24: Dividend payout likely to improve in FY24



Source: MOFSL, Company

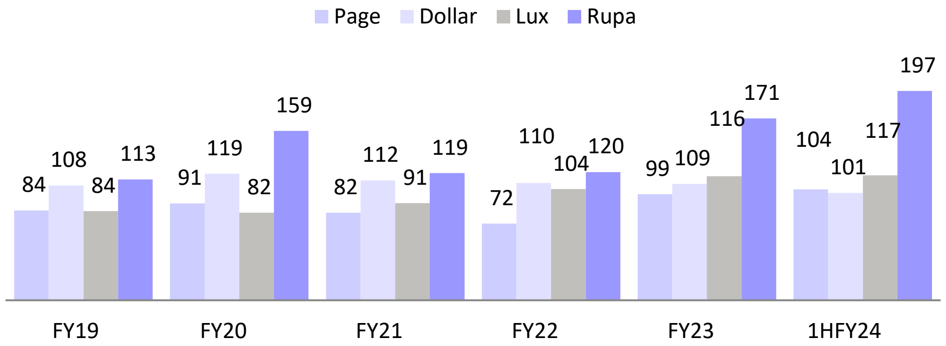
- PAGE has among the most efficient cash conversion cycles in the innerwear market. The company gradually reduced its inventory days to 59 in FY22 from 101 in FY17. Due to weak demand in 2HFY23 and FY24, the company's inventory has piled up but it is still less than the peers. However, we expect inventory days to reduce due to PAGE's Automated Replenishment System (ARS). The ARS is a distributor management system that will improve the supply chain and help in having a better quality inventory, which will improve the inventory turn of distributors.

Exhibit 25: Cash conversion cycle increased due to high Inventory days



Source: MOFSL, Company

Exhibit 26: Inventory days – the best among peers

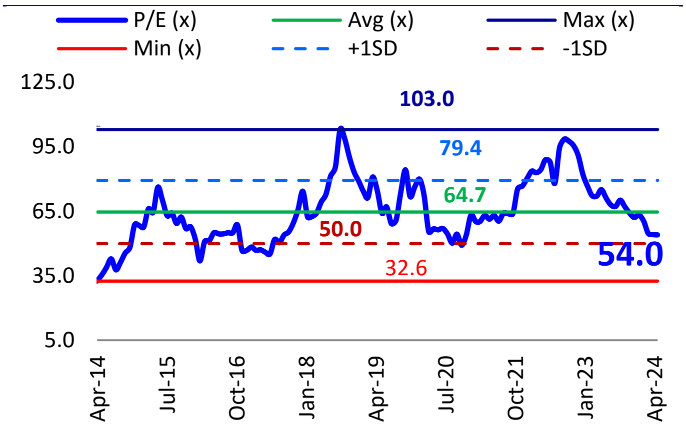


Source: MOFSL, Company

Valuation and view:

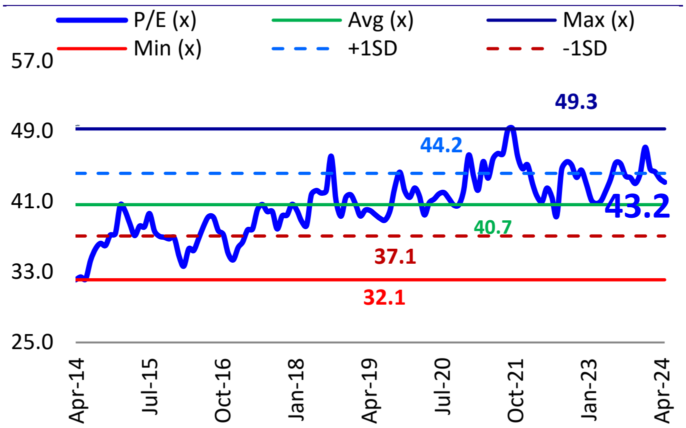
- PAGE has had a remarkable track record of revenue and earnings growth over the past decade. For the decade ending FY24E, PAGE's sales/EBITDA/PAT are likely to post a 15%/14%/15% CAGR despite a challenging period. Earnings growth was fueled by best-of-breed sales growth, coupled with reduced utilization of the margin lever.
- We model a gradual recovery with sales/EBITDA/PAT CAGR of 14%/17%/18% over FY24-26E.
- The industry is likely to continue facing demand-led headwinds in the near term. Additionally, it will be crucial to monitor the channel inventory optimization. Though efficient cost-control measure is a positive sign, earnings outlook is still uncertain. **We reiterate our Neutral rating on the stock with a TP of INR36,500 (premised on 50x Mar'26E EPS).**

Exhibit 27: P/E ratio (x) for PAGE



Source: MOFSL, Company

Exhibit 28: P/E ratio (x) for the Consumer sector



Source: MOFSL, Company

Financials and valuations

Income Statement								(INR m)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Net Sales	**28,522**	**29,454**	**28,330**	**38,865**	**47,886**	**46,507**	**51,987**	**60,018**
Change (%)	11.8	3.3	-3.8	37.2	23.2	-2.9	11.8	15.4
Gross Profit	**16,555**	**16,346**	**15,690**	**21,775**	**26,207**	**25,532**	**28,697**	**33,490**
Margin (%)	58.0	55.5	55.4	56.0	54.7	54.9	55.2	55.8
Other operating expenditure	10,386	11,020	10,424	13,920	17,579	16,550	18,137	21,215
EBITDA	**6,169**	**5,326**	**5,266**	**7,855**	**8,628**	**8,983**	**10,560**	**12,275**
Change (%)	14.1	-13.7	-1.1	49.2	9.8	4.1	17.6	16.2
Margin (%)	21.6	18.1	18.6	20.2	18.0	19.3	20.3	20.5
Depreciation	311	614	629	655	781	909	1,007	1,087
Int. and Fin. Ch.	163	339	297	322	413	450	300	300
Other Inc.- Rec.	364	246	195	210	147	163	208	240
PBT	**6,060**	**4,620**	**4,534**	**7,088**	**7,581**	**7,787**	**9,461**	**11,128**
Change (%)	17.1	-23.8	-1.9	56.3	7.0	2.7	21.5	17.6
Tax	2,121	1,188	1,128	1,722	1,869	1,916	2,365	2,893
Tax Rate (%)	35.0	25.7	24.9	24.3	24.6	24.6	25.0	26.0
Adjusted PAT	**3,939**	**3,432**	**3,406**	**5,365**	**5,713**	**5,871**	**7,096**	**8,235**
Change (%)	13.5	-12.9	-0.8	57.5	6.5	2.8	20.9	16.1
Margin (%)	13.8	11.7	12.0	13.8	11.9	12.6	13.6	13.7
Reported PAT	**3,939**	**3,432**	**3,406**	**5,365**	**5,713**	**5,871**	**7,096**	**8,235**

Balance Sheet								(INR m)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Share Capital	112	112	112	112	112	112	112	112
Reserves	7,638	8,087	8,737	10,775	13,599	15,958	18,808	22,116
Net Worth	**7,750**	**8,199**	**8,849**	**10,886**	**13,710**	**16,069**	**18,920**	**22,228**
Loans	848	1,764	1,270	1,099	4,064	1,582	1,661	1,744
Capital Employed	**8,598**	**9,963**	**10,119**	**11,985**	**17,774**	**17,651**	**20,581**	**23,972**
Gross Block	3,982	5,364	5,481	5,977	7,586	10,586	12,586	14,586
Less: Accum. Depn.	976	1,309	1,618	1,953	2,734	3,643	4,650	5,737
Net Fixed Assets	**3,006**	**4,055**	**3,863**	**4,024**	**4,852**	**6,943**	**7,936**	**8,849**
Capital WIP	72	287	279	653	1,505	1,505	1,505	1,505
Investments	0	0	0	0	0	0	0	0
Curr. Assets, L&A	**10,427**	**10,787**	**12,835**	**16,356**	**20,521**	**18,833**	**21,911**	**26,060**
Inventory	7,501	7,186	5,549	9,749	15,953	10,193	10,682	12,332
Account Receivables	1,238	738	1,371	1,651	1,461	2,166	2,421	2,795
Cash and Bank Balance	440	1,169	4,350	2,835	81	4,256	6,746	8,661
Others	1,247	1,694	1,564	2,122	3,026	2,217	2,061	2,271
Curr. Liab. and Prov.	**4,783**	**5,165**	**6,879**	**9,084**	**9,154**	**9,681**	**10,822**	**12,494**
Account Payables	1,220	938	2,175	3,628	2,876	3,568	3,988	4,604
Other Liabilities	3,403	3,953	4,504	5,198	5,955	5,604	6,264	7,232
Provisions	159	273	200	258	322	510	570	658
Net Curr. Assets	**5,644**	**5,622**	**5,956**	**7,272**	**11,367**	**9,152**	**11,089**	**13,567**
Def. Tax Liability	125	2	-22	-36	-51	-51	-51	-51
Appl. of Funds	**8,598**	**9,963**	**10,119**	**11,985**	**17,774**	**17,651**	**20,581**	**23,972**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Basic (INR)								
EPS	**353.2**	**307.7**	**305.3**	**481.0**	**512.2**	**526.4**	**636.2**	**738.3**
Cash EPS	381.0	362.7	361.8	539.7	582.2	607.9	726.4	835.8
BV/Share	694.8	735.1	793.3	976.0	1,229.2	1,440.7	1,696.2	1,992.8
DPS	344	161	250	300	260	315	381	442
Payout incldg DDT (%)	115.4	79.1	81.9	62.4	50.8	70.0	70.0	70.0
Valuation (x)								
P/E	100.1	114.9	115.8	73.5	69.0	67.2	55.6	47.9
Cash P/E	92.8	97.5	97.7	65.5	60.7	58.2	48.7	42.3
EV/Sales	13.8	13.4	13.8	10.1	8.3	8.4	7.5	6.5
EV/EBITDA	64.0	74.2	74.3	50.0	46.2	43.6	36.9	31.6
P/BV	50.9	48.1	44.6	36.2	28.8	24.5	20.8	17.7
Dividend Yield (%)	1.0	0.5	0.7	0.8	0.7	0.9	1.1	1.2
Return Ratios (%)								
Asset Turn	3.3	3.0	2.8	3.2	2.7	2.6	2.5	2.5
Leverage	1.1	1.2	1.1	1.1	1.3	1.1	1.1	1.1
Net Margin	13.8	11.7	12.0	13.8	11.9	12.6	13.6	13.7
RoE	50.8	41.9	38.5	49.3	41.7	36.5	37.5	37.0
RoCE	45.6	39.7	36.1	50.7	40.5	35.1	38.3	38.0
RoIC	55.2	42.2	49.8	77.9	47.9	43.4	59.2	63.4
Working Capital Ratios								
Asset Turnover (x)	3.2	3.2	2.8	3.5	3.2	2.6	2.7	2.7
Debtor Days	17	12	14	14	12	14	16	16
Creditor Days	17	13	20	27	25	25	27	26
Inventory Days	84	91	82	72	98	103	73	70
Leverage Ratio								
Debt/Equity (x)	0.1	0.2	0.1	0.1	0.3	0.1	0.1	0.1

Cash Flow Statement (INR m)

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Profit before Tax	6,060	4,620	4,534	7,088	7,581	7,787	9,461	11,128
Depreciation	311	614	629	655	781	909	1,007	1,087
Other Non-Cash & Non-operating activities	-361	179	304	186	308	287	92	60
Incr in WC	-1,657	1,024	2,751	-2,910	-6,782	6,390	553	-563
Direct Taxes Paid	-2,056	-1,270	-1,259	-1,750	-1,904	-1,916	-2,365	-2,893
CF from Operations	**2,297**	**5,167**	**6,959**	**3,269**	**-16**	**13,457**	**8,748**	**8,819**
Incr in FA	-374	-744	-135	-979	-1,638	-3,000	-2,000	-2,000
Free Cash Flow	**1,923**	**4,423**	**6,824**	**2,290**	**-1,654**	**10,457**	**6,748**	**6,819**
Pur of Investments	2,216	400	-3,950	2,050	1,900	0	0	0
Others	65	-319	3,967	-1,891	-1,259	163	208	240
CF from Invest.	**1,907**	**-663**	**-119**	**-820**	**-997**	**-2,837**	**-1,792**	**-1,760**
Issue of Shares	0	0	0	0	0	0	0	0
Incr in Debt	275	-470	-321	0	1,916	-2,482	79	83
Dividend Paid	-4,545	-2,716	-2,787	-3,347	-2,900	-3,513	-4,245	-4,927
Others	-163	-589	-551	-617	-757	-450	-300	-300
CF from Fin. Activity	**-4,433**	**-3,775**	**-3,659**	**-3,964**	**-1,741**	**-6,445**	**-4,466**	**-5,144**
Incr/Decr of Cash	**-228**	**729**	**3,181**	**-1,515**	**-2,754**	**4,175**	**2,489**	**1,915**
Add: Opening Balance	669	440	1,169	4,350	2,835	81	4,256	6,746
Closing Balance	**440**	**1,169**	**4,350**	**2,835**	**81**	**4,256**	**6,746**	**8,661**

E: MOFSL Estimates

NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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