

# Page Industries



## Getting into the big league

## Contents

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Getting into the BIG league .....	3
Key Investment Charts.....	5
Indian apparel industry shifting toward organized players.....	7
Page Industries—a dominant player with several first-mover advantages.....	9
Innerwear opportunity is BIG; Page has a <i>right to win</i> .....	12
Segment-wise analysis.....	13
Significant room to expand distribution .....	20
‘Affordable yet aspirational’ positioning .....	22
Strong manufacturing set-up—an entry barrier for competitors .....	24
Fastest growing consumer franchise with deep and wide MOAT.....	26
Long-term construct: Page can be a multi-year compounder.....	30
Management details and shareholding pattern .....	33
Financials and Valuations .....	34

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# Page Industries

BSE Sensex 25,611 S&P CNX 7,762



## Stock Info

Bloomberg	PAG IN
Equity Sh (m)	11.2
52-Wk Range INR	16995 / 9207
1, 6, 12 Rel. Per (%)	-11/-6/35
M.Cap. (INR b)	135.5
M.Cap. (USD b)	2.1
12M Avg Val (INR M)	189
Free float (%)	48.2

## Financial Snapshot (INR Billion)

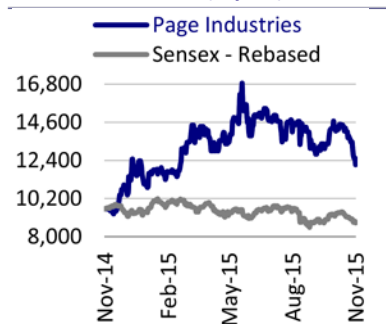
Y/E Mar	2015	2016E	2017E
Sales	15.4	18.0	22.9
Sales Gr. %	29.9	16.9	27.1
EBITDA	3.2	3.9	4.9
EBITDA Gr. %	25.1	21.4	25.5
PAT	2.0	2.3	3.0
EPS (INR)	175.7	210.4	272.5
EPS Gr. %	27.5	19.7	29.6
FCF to PAT	0.6	0.7	0.6
BV/Sh.INR	346.8	451.9	588.2
RoE (%)	50.7	46.5	46.3
RoCE (%)	41.6	41.0	43.4
Payout (%)	48.9	50.0	50.0
P/E (x)	69.2	57.8	44.6
EV/EBITDA(x)	43.0	35.3	28.1

## Shareholding pattern (%)

As on	Jun-15	Mar-15	Sep-14
Promoter	51.0	51.0	51.0
DII	6.3	6.5	5.2
FII	32.9	32.3	33.7
Others	9.8	10.2	10.1

FII Includes depository receipts

## Stock Performance (1-year)



CMP: INR12,156 TP: INR14,500 (+19%)

Buy

## Getting into the BIG league

**Fastest growing consumer franchise with deep and wide moats**

- Page Industries ('PAGE') offers a compelling multi-year premiumization play in a fast growing category, backed by favorable demographics and rising affluence.
- It is the fastest growing consumer franchise and we expect this growth to sustain, driven by large industry opportunity and PAGE's unique strengths.
- We initiate coverage with a Buy rating and target price of INR14,500. Given the rich valuation it commands, even looking beyond one year, we see PAGE as a multi-year consumer story.

### Capitalizing shift towards organized segment in a high growth category with underlying premiumization:

The Indian innerwear market is an INR200b (8.1% of Indian apparel market) opportunity and is growing at 11% CAGR (over FY10-15). It is characterized by a large unorganized segment, but favorable macro factors like rising incomes, demographics, urbanization, and higher proportion of working women are driving the shift towards organized branded innerwear. Page Industries dominates the premium branded space, given its first mover advantages in brand building, control on manufacturing, Jockey's global lineage, portfolio width, and lack of credible and relevant competitors in the premium space. Page is at the forefront of underlying premiumization in the innerwear category, with industry leading growth, margins and return ratios.

**Consistent outperformance even in a challenging macro environment:** The strength of Page's business model is also reflected in its financials. It has posted a CAGR of 35% in sales, 36% in EBITDA, and 38% in PAT over FY10-15, a period characterized by challenging macros. It has posted high teens volume CAGR, significantly outperforming peers like Lovable, Maxwell, and Rupa. Superior brand equity and positioning as a premium-yet-affordable brand have been the key contributors, in our view.

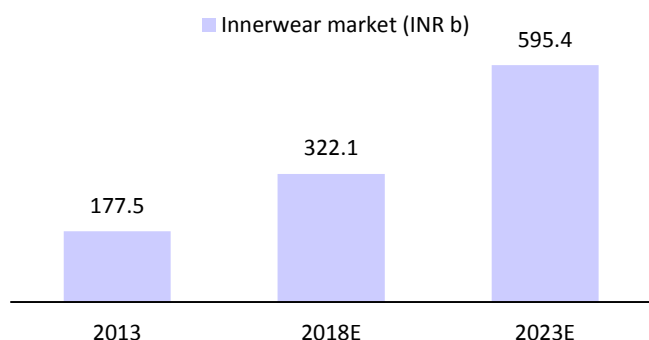
**Innerwear opportunity is BIG; Page has right to win:** The innerwear segment constitutes 8.1% of the apparel industry, but is the fastest growing piece. As per Industry estimates, the segment is expected to grow from INR178b in 2013 to INR595b in 2023 – a CAGR of 13%. The 'premium and above' sub-segment constitutes ~20% of the market, offering a sizable premiumization-led growth opportunity. We believe Page has a 'right to win', given its aspirational positioning, wide portfolio, and strong backend advantage. Despite a strong track record of growth over the last 20 years, Page has enough headroom to grow, in our view. Continued premiumization, portfolio expansion in existing product segments (men's and women's innerwear), and distribution expansion in existing markets as also entry into new segments (kidswear) and markets (distribution reach 1/4th of Rupa) can ensure multiple years of 20%+ revenue growth, in our view.

**Fastest growing consumer franchise, with deep and wide moats:** We expect Page to continue gaining market share and deliver 23% sales CAGR over FY15-18. We model EBITDA margins of 20-22%, as our multiple management interactions suggest Page's preference for driving consistent predictable growth over sharp jump in profitability, in turn leading to higher competitive intensity. Despite high base of 38% PAT CAGR over FY10-15, we build in 27% EPS CAGR over FY15-18. We expect growth to sustain even post FY18. Our long term P&L construct indicates that Page has the potential to deliver 20%+ sales and PAT CAGR over FY15-25, largely driven by steady market share gains in an expanding pie.

**Earnings visibility to support premium valuations; initiate with Buy:** Page offers a compelling, capital-efficient long-term lifestyle play on the premiumizing innerwear category. 4/5th of the innerwear category is still sub-premium and provides a decent runway for premiumization-led growth. A widening product and brand portfolio, coupled with distribution expansion will aid share expansion and drive multiple years of growth, in our view. We initiate coverage with a **Buy** rating and target price of INR14,500 (41x FY18E EPS – three year average P/E). Given the strong earnings visibility, steady return ratios and lack of credible / relevant competitors in the premium space, we expect the premium valuations to sustain. We believe the stock offers healthy long-term returns potential; we expect 21% CAGR over three years and 22% CAGR over eight years. Heightened competitive intensity from international brands and potential labor issues (has ~18k employees on rolls) are key risks.

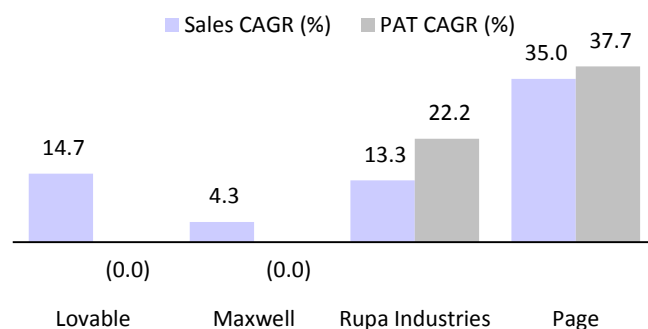
## Key Investment Charts

**Exhibit 1: Innerwear market forms 8.1% of the Apparel Market, one of the fastest growing segments**



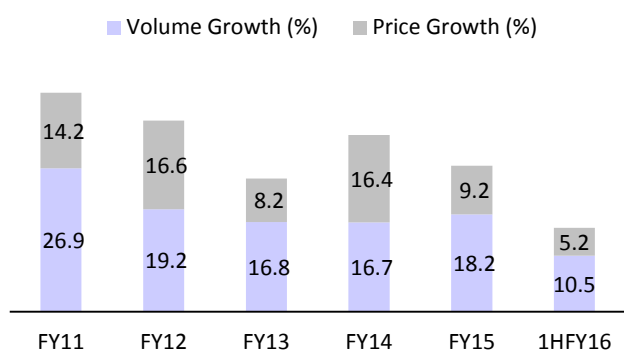
Source: Industry, Company, MOSL

**Exhibit 2: PAGE outperformed peers by a wide margin**



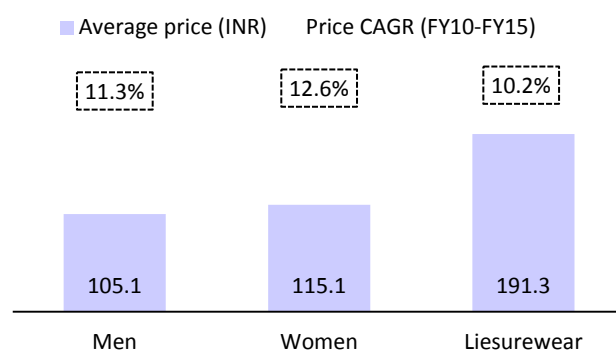
Source: Company, MOSL

**Exhibit 3: Consistent high teens volume growth in the last five years (on blended basis) despite macro slowdown**



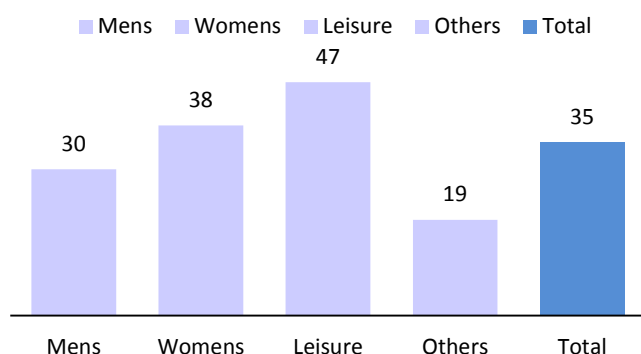
Source: Company, MOSL

**Exhibit 4: PAGE gradually foraying into segments with higher realization**



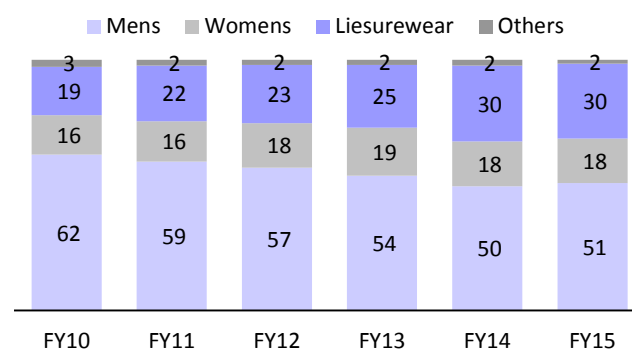
Source: Company, MOSL

**Exhibit 5: PAGE's growth was broad based over FY10-15(%)**

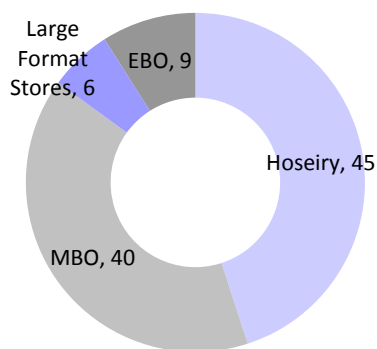


Source: Company, MOSL

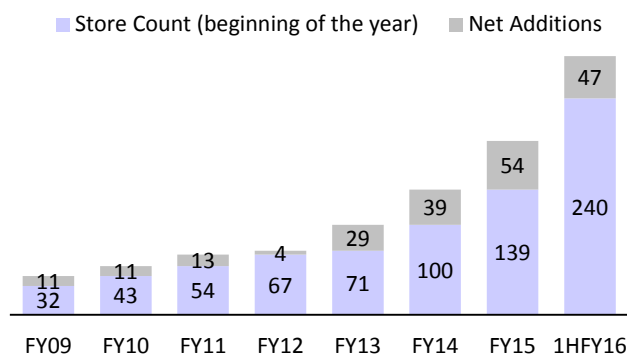
**Exhibit 6: Contribution of Liesurewear rising**



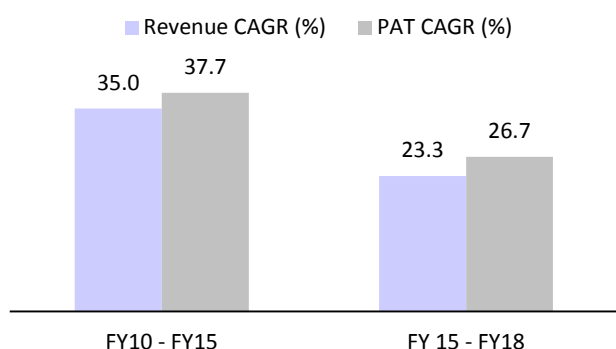
Source: Company, MOSL

**Exhibit 7: PAGE derives significant revenue contribution (%) from traditional channels**

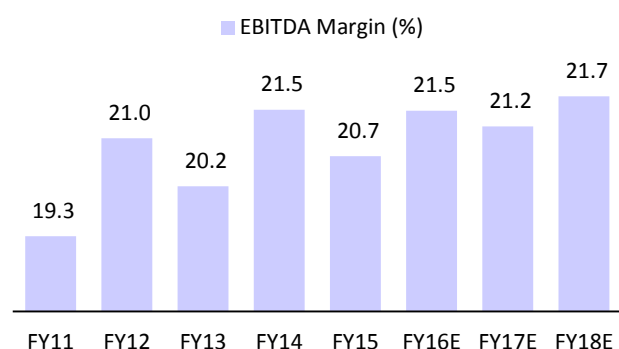
Source: Company, MOSL

**Exhibit 8: Doubled EBO count in 2 years, PAGE intends to take the total count to 300 by FY16 end**

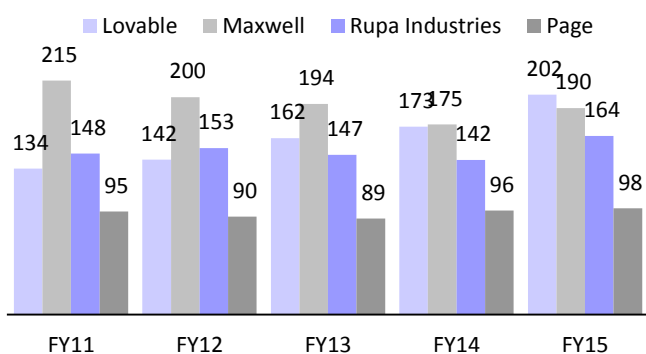
Source: Company, MOSL

**Exhibit 9: We expect 27% PAT CAGR over FY15-FY18...**

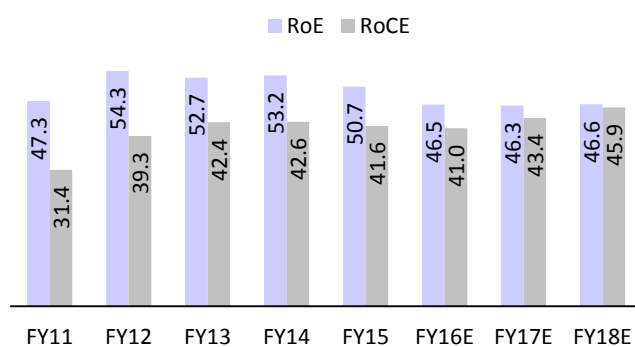
Source: Company, MOSL

**Exhibit 10: ...with steady EBITDA margins**

Source: Company, MOSL

**Exhibit 11: Page's cash conversion cycle is better than peers despite lower payable days**

Source: Company, MOSL

**Exhibit 12: Capital efficient business model**

Source: Company, MOSL

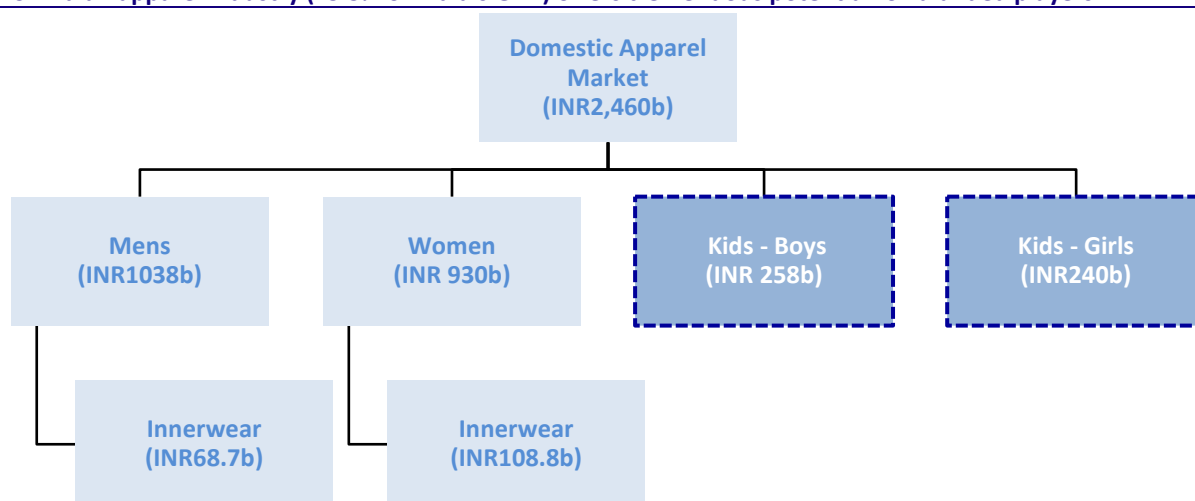


## Indian apparel industry shifting toward organized players

### High-growth segment with underlying premiumization

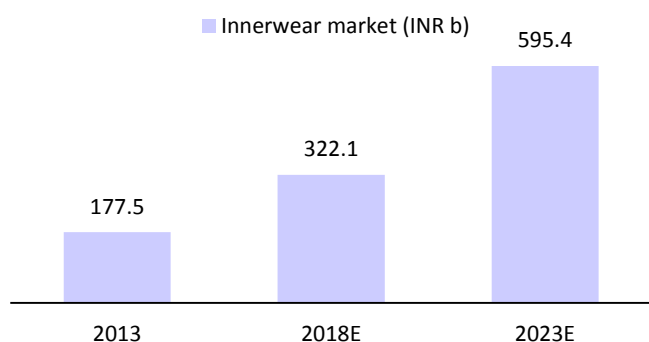
The Indian apparel market is ~USD40b and has grown 8% over FY10-FY15. A surge in demand for readymade apparel (convenience, designs and wide variety), rising income levels (increasing discretionary spends), youth demographics and increasing preference for branded apparel (increasing presence of organized retail and online channel) are driving market resurgence. The Indian innerwear market stands at ~INR200b (8.1% of Indian apparel market) and has grown at 11% over FY10-FY15. The market is characterized by a large unorganized segment, but favourable macro factors like rising incomes, demographics, urbanization, a higher proportion of working women are driving the shift toward organized branded innerwear segment. From being considered as an essential commodity, the innerwear category is increasingly witnessing a shift from being a functional to a fashion category and a price-sensitive to a brand-sensitive category.

**Exhibit 13: Indian apparel industry (~5.5% of India's GDP) offers tremendous potential for branded players**



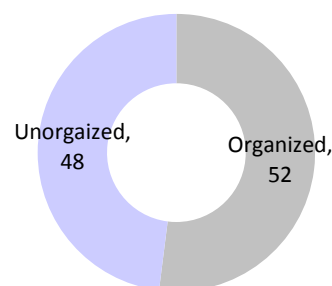
Source: Industry, Company, MOSL

**Exhibit 14: Innerwear market forms ~8% of the apparel market, one of the fastest growing segments**



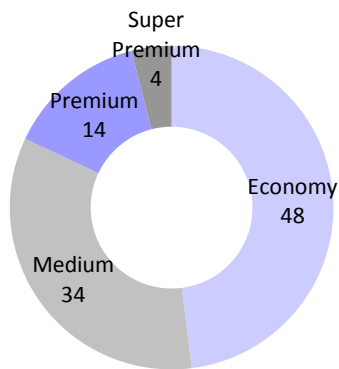
Source: Industry, Company, MOSL

**Exhibit 15: 48% of the industry in the hands of unorganized players**



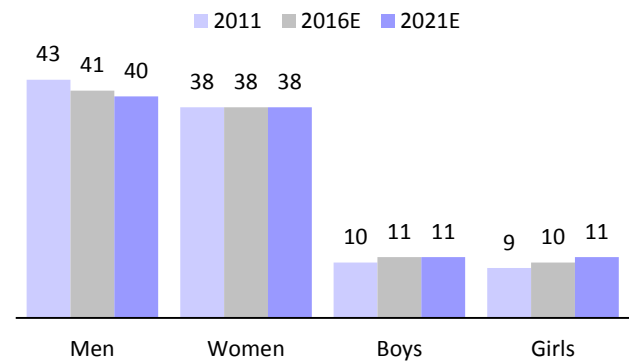
Source: Industry, Company, MOSL

Exhibit 16: 4/5<sup>th</sup> of the market = mass segment (%)



Source: Industry, Company, MOSL

Exhibit 17: Innerwear market by users (%)



Source: Industry, Company, MOSL



## Page Industries—a dominant player with several first-mover advantages

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Page Industries (Page) enjoys a dominant position in the premium branded space owing to its significant first-mover advantages in brand building, control on manufacturing, global lineage of Jockey, width of the portfolio and lack of credible and relevant competitors in the premium space.

Page is already at the forefront of underlying premiumization in the innerwear category with industry-leading growth, margins and return ratios.

**Consistent outperformance even in a challenging macro environment:** The strength of Page's business model is also reflected in its financials. The company has posted a CAGR of 35% in sales, 36% in EBITDA and 38% in PAT over FY10-15, a period characterized by challenging macros. Page has posted high-teens volume CAGR, significantly outperforming peers like Lovable, Maxwell and Rupa. Superior brand equity and positioning as a premium-yet-affordable brand has been key the contributors, in our view.

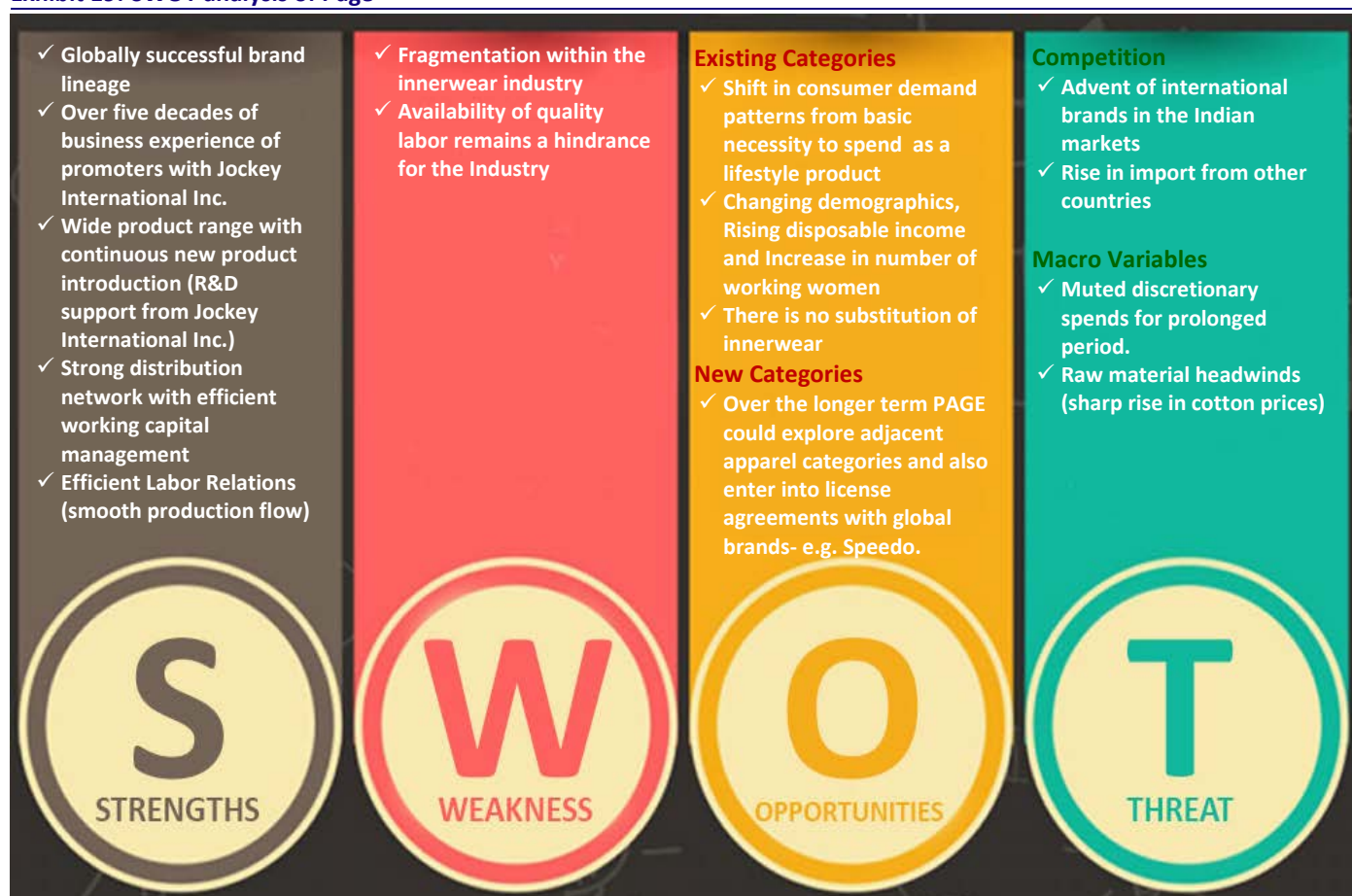
### Key strategies that drove Page's outperformance v/s the industry

- 1) **Deepening the brand and geographic reach:** (i) Over the years, Jockey has consistently deepened its portfolio by introducing new SKUs (variants/styles/colors/patterns) in the existing offerings; for instance, Page launched Signature Stretch (panty and bra range in FY11), Fashion Stretch (panty and bra range in FY12), No Panty Line Promise (FY13) and Jockey Seamless Shapewear range (FY14) in the Women's innerwear segment. (ii) It also expanded its store reach from 800 stores in 1996 to ~30,000 stores (in 1200+ cities and towns across the country). Despite adding 10,000 stores in the last three years, PAGE's reach is still just 25% of its competitors Rupa Industries (118,000 outlets) and Maxwell Industries (110,000 outlets).
- 2) **Widening the portfolio:** (i) Over the years, PAGE has widened its portfolio offerings by consistently foraying into adjacent unorganized segments (e.g. leisurewear and sportswear). The strategy of venturing into related categories and positioning itself as an affordable aspirational brand has improved product mix and margins. (ii) PAGE also entered an exclusive license agreement with Speedo International in July 2011; post the agreement, the brand Speedo has witnessed an 8.5x increase in sales on low base in two years—with the products available across 986 stores in 74 cities as on FY15. While the contribution of Speedo will remain in low single digits in the foreseeable future, in our view, the swimwear segment is expected to register strong growth on the back of by demographic and lifestyle changes. Additionally, it allows Page to leverage its reach to launch global premium brands in India.

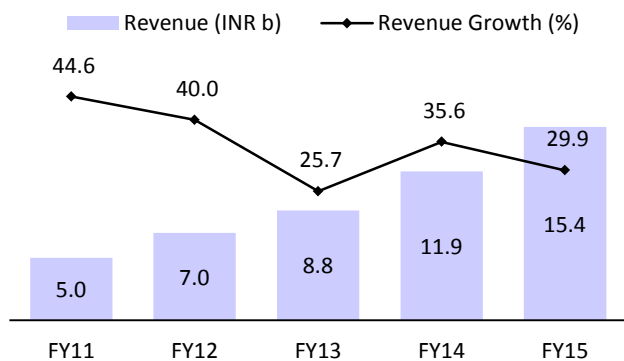
**Exhibit 18: PAGE's milestones since incorporation**

Year	Key Event
1995	Incorporation of the Company under the name and style of Page Apparel Manufacturing Private Ltd.
1997	Launched Jockey products for women under the style of 'Jockey For Her'
	Launched the middle range of men's undergarments
2001	Retail network touched 100 towns
2003	The turnover of the Company crossed INR 500m
	Retail network of 10,000 outlets
	Achieved production of 1m pieces a month
2004	Launch of sub brand 'Jockey Zone'
2005	Launch of Jockey brassieres in India
2006	The turnover of the Company crossed INR 1b in terms of factory selling price
	Production crossed 2m pieces per month
2007	Successful completion of IPO
2010	PAGE launched the Just Jockeying campaign to transform Jockey into a lifestyle brand
2011	Licensing agreement with Jockey International Inc. extended till 2030. Also been awarded the sole marketing and distribution rights for UAE
2012	Entered agreement with Speedo International for right to manufacture and distribute Speedo products in India
2015	Launch of Brand Jockey in UAE
	Launch of first International format EBO in Bangalore
	Launched its own B2C e-commerce channel and tied up with various leading online retailers to increase reach of products

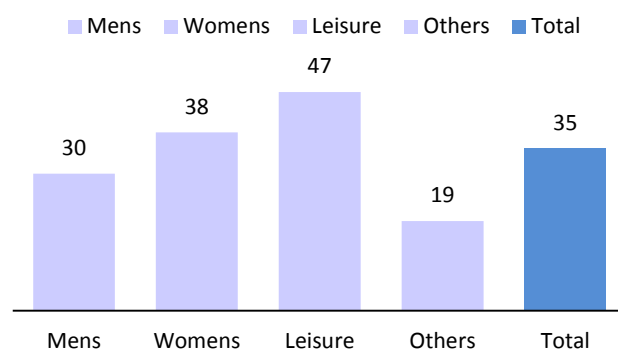
Source: Company, MOSL

**Exhibit 19: SWOT analysis of Page**

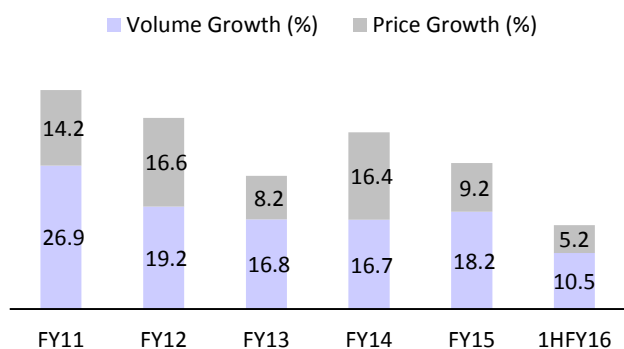
Source: Company, MOSL

**Exhibit 20: PAGE posted solid 35% revenue CAGR over FY10-FY15**

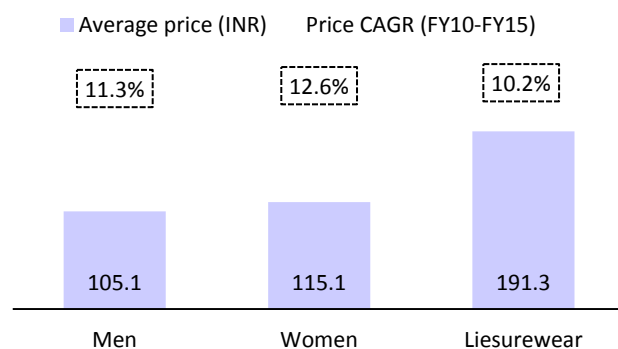
Source: Company, MOSL

**Exhibit 21: Broad-based performance across segments [FY10-FY15 – Sales CAGR (%)]**

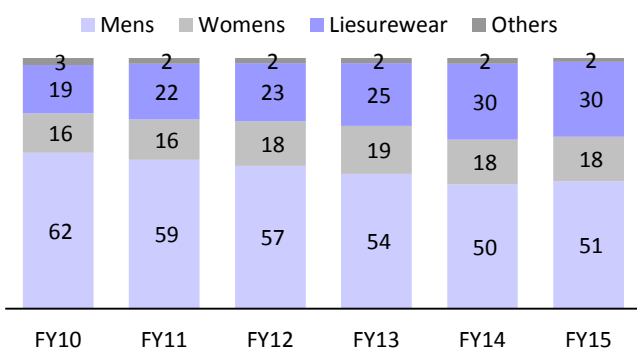
Source: Company, MOSL

**Exhibit 22: Consistent high teens volume growth in the last five years (on blended basis) despite macro slowdown**

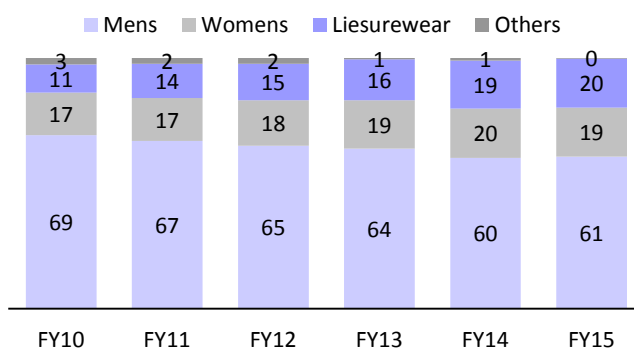
Source: Company, MOSL

**Exhibit 23: PAGE gradually foraying into segments with higher realization**

Source: Company, MOSL

**Exhibit 24: PAGE incrementally focusing on segments other than men's innerwear to drive revenue growth...**

Source: Company, MOSL

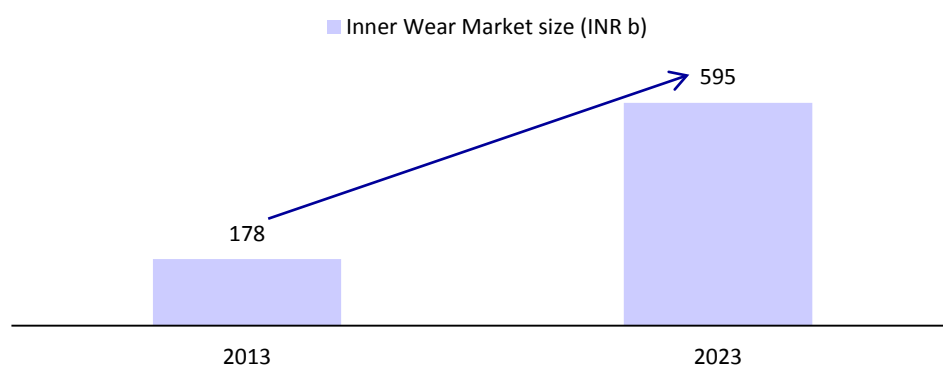
**Exhibit 25: Men's innerwear volume contribution down to 61% (69% as on FY10)**

Source: Company, MOSL

## Innerwear opportunity is BIG; Page has a *right to win*

- The innerwear segment forms ~8% of the apparel industry, but is the fastest growing piece. As per Industry estimates, the segment is expected to grow from INR178b in 2013 to INR595b in 2023—a 13% CAGR, led by favourable demographic and income factors as well as higher propensity of consumers to use branded products.
- We note, per capita spend on innerwear products in India is ~90% lower than China and Thailand, per management. Thus, consumption-led growth potential complements penetration and drives category growth. The 'premium and above' sub-segment constitutes ~20% of the market, offering a sizable premiumization-led growth opportunity. We believe Page has a clear 'right to win', given its aspirational positioning (which imparts greater pricing power—evidenced by consistent high single-digit to low double-digit growth in pricing), wide portfolio and strong backend advantage.
- Page has consistently improved its product mix by driving investments in women's innerwear and leisurewear segments; these segments have higher average realization per unit and, thus, contribution of men's innerwear has reduced from ~60% in FY11 to ~50% in FY15.
- Despite a strong record of growth over the last 20 years (35% CAGR over FY1995-2015), Page has enough headroom to grow, in our view. Continued premiumization, portfolio expansion in existing product segments (men's and women's innerwear) and distribution expansion in existing markets as also entry into new segments (kids wear) and markets (distribution reach 1/4th of Rupa) can ensure multiple years of 20%+ revenue growth, in our view.

### Exhibit 26: Innerwear market could post 13% CAGR over 2013-2023



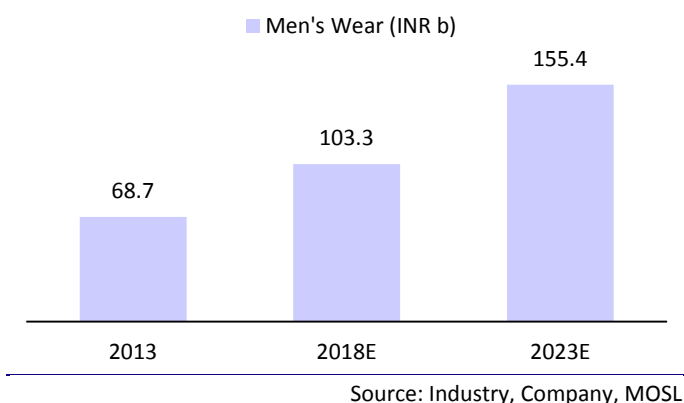
Source: Industry, Company, MOSL

## Segment-wise Analysis

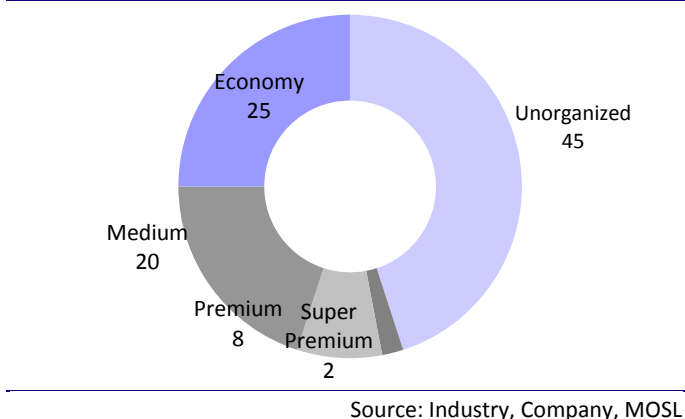
### Men's innerwear (51% of Page revenues): Anchor segment

- The men's innerwear is an INR68.7b segment and posted a 10% CAGR over FY10-FY15. Over the last few years, the share of organized players in the men's innerwear segment has expanded significantly—driven by a rise in income levels, preference for branded products and rapid growth of organized retail.
- Given the above shift and the fact that competitors are operating in the economy segment, Page is in a sweet spot as it is positioned as an aspirational brand available at an affordable price. The underlying strength of the brand is noteworthy, given its ability to post double-digit volume growth during the last five years despite taking steep price hikes even during macro slowdown.
- We forecast sales CAGR of 19.7% over FY15-FY18 (men's segment posted 25.5% over FY12-FY15), led by modest market share expansion annually and improving product mix (higher contribution of value added products, with average realization increasing from INR105 in FY15 to INR126 by FY18E).

**Exhibit 27: Men's Innerwear segment expected to post 9% CAGR over 2013-2018**



**Exhibit 28: 45% of men's innerwear market is unorganized**

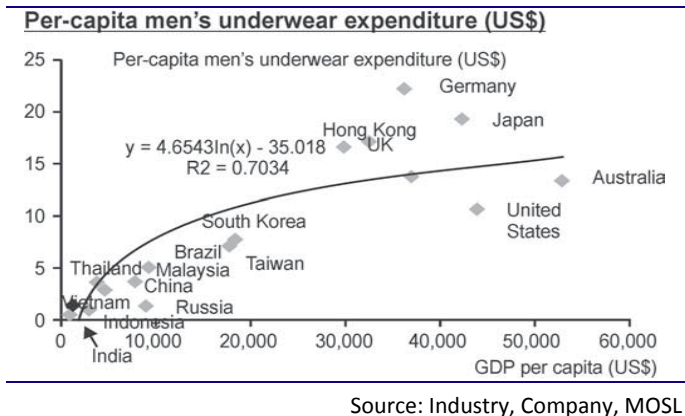


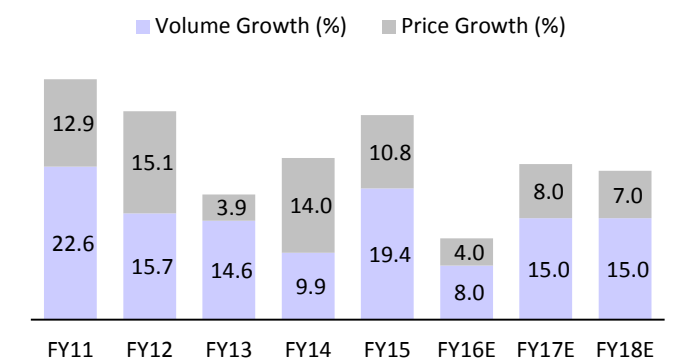
**Exhibit 29: Jockey is positioned as an aspirational brand at an affordable price**

	INR/piece
Euro (Rupa)	80-150
Macroman (Rupa)	125-170
Lux	140-165
Hanes (Arvind)	145-210
VIP Frenchie X (Maxwell)	150-200
Chromozome	165-239
US Polo (Arvind)	239-269
Calvin Klein	799-2699
<b>Jockey (Page)</b>	
Base Range	119-189
Pop Colour	179-250
USA Originals	250-300

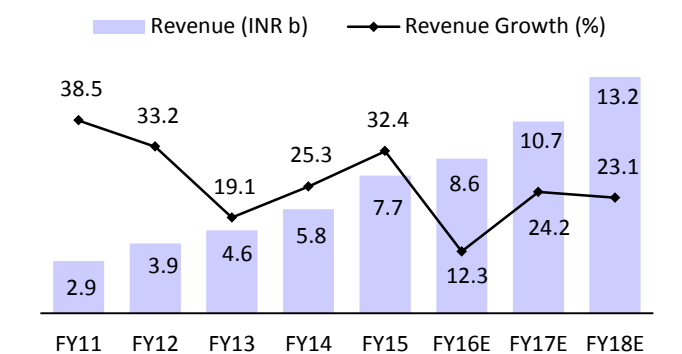
Source: Company, MOSL

**Exhibit 30: Per capita spend in men's innerwear is negligible v/s the Asian peers**



**Exhibit 31: For Page, men's innerwear segment posted strong volume growth despite consistent price increases**

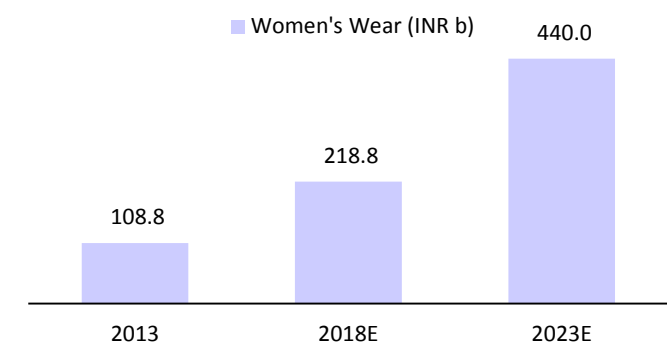
Source: Company, MOSL

**Exhibit 32: Men's innerwear segment could post 19.7% CAGR over FY15-FY18**

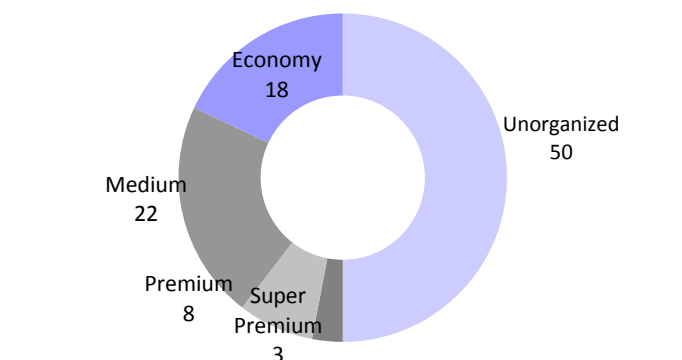
Source: Company, MOSL

**Women's innerwear (18% of revenues): Positioned as a utility brand**

- The women's innerwear segment is ~INR 108.8b and has posted 11% CAGR over FY10-FY15. Unorganized players have witnessed a structural decline in market share over the last few years—driven by rising number of working women, increased purchasing power/frequency and increasing number of consumers opting for hosiery innerwear with separate brands for different purposes/occasions (functional, fashionable, fun and fantasy).
- Page Industries forayed into women's segment in 1997 with the brand "Jockey For Her". The company has incrementally focused on the women's segment, given its higher growth than men's innerwear and better realization metrics. A notable difference in Page's strategy has been the focus on its basic product range and emphasis on its positioning as an affordable premium/utility product compared with its aspirational brand image in other segments.
- With global lineage of Jockey International Inc. (provides a large sample space for research and development and aids in product testing across geographies), PAGE can introduce new offerings frequently. The company offers fitting sessions at stores to increase adoption/repeat purchase of its existing/new offerings.
- We forecast 30.1% sales CAGR over FY15-FY18 (women's segment posted 30.6% CAGR over FY12-FY15), led by a shift from unorganized to organized segment, increasing product reach and rising purchase frequency (higher discretionary income translating into higher use/multiple brands, depending on the occasion).

**Exhibit 33: Women's innerwear segment expected to expand 4x over 2013-2023E**

Source: Industry, Company, MOSL

**Exhibit 34: The women's innerwear market is largely unorganized (%)**

Source: Industry, Company, MOSL

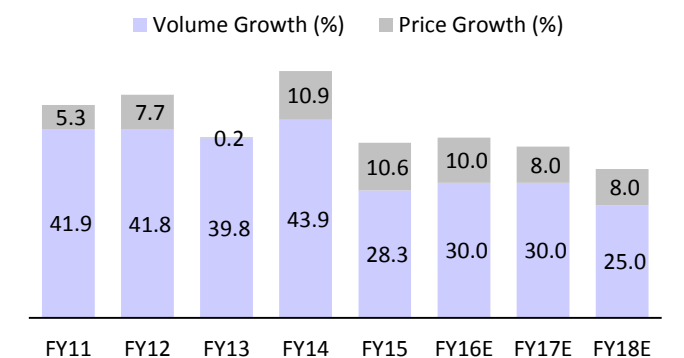
**Exhibit 35: Jockey positioned as a utility brand with pricing at a discount to global players**

	INR/piece
VIP	60-100
Lovable	120-395
Jockey	139-199
Enamor	225-495
Bwitch	250-799
Amante	345-495
Triumph	399-499

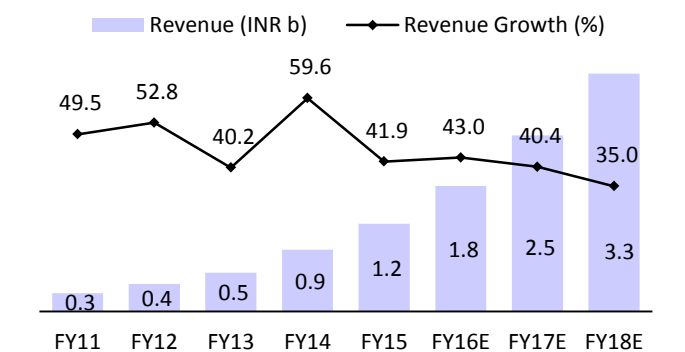
Source: Company, MOSL

**Exhibit 36: Per capita spend in women's innerwear miniscule compared with other Asian peers**

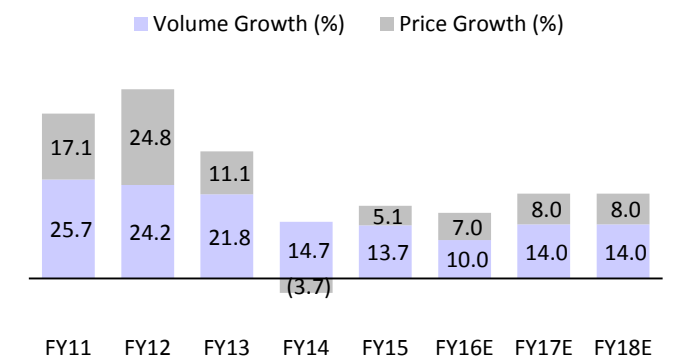
Source: Industry, Company, MOSL

**Exhibit 37: Bra segment posted solid volume performance in the recent period, aided by low base**

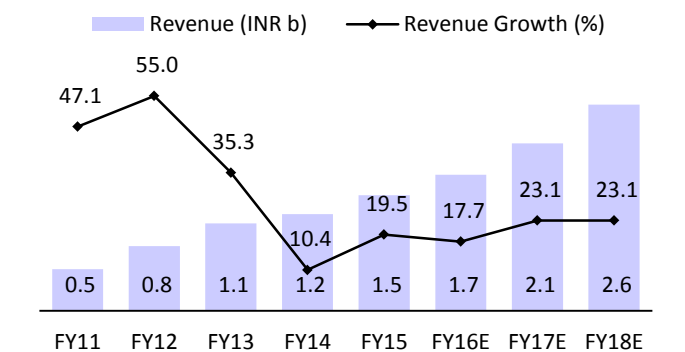
Source: Company, MOSL

**Exhibit 38: ..with bra revenues posting 48% CAGR over FY11-FY15**

Source: Company, MOSL

**Exhibit 39: Women's innerwear segment posted 14% volume growth in FY15**

Source: Company, MOSL

**Exhibit 40: While revenues grew at 29% CAGR over FY11-FY15**

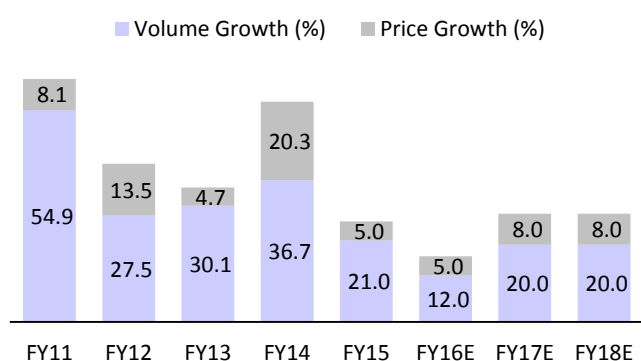
Source: Company, MOSL



### Leisurewear (29% of Revenues): Bridging the price-utility gap

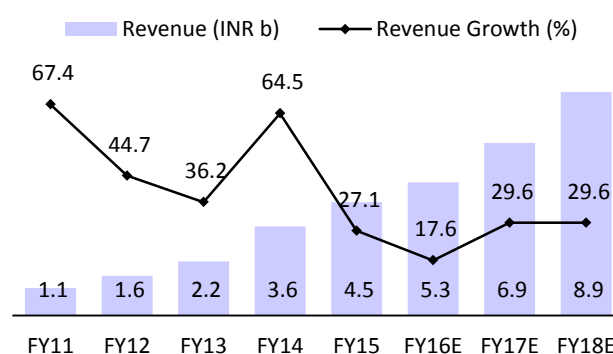
- The leisurewear segment is ~INR100b and has posted 14% CAGR over FY10-FY15. The segment is a recent addition to Page's foray into adjacent apparel categories. The company currently has various product offerings under different categories such as loungewear (capris, pyjamas, and boxers), casual wear (t-shirts), sportswear (track pants, shorts, muscle tees, socks) and thermal wear.
- Increasing health consciousness has made sports, gym, jogging, swimming, yoga, etc. an essential part of modern life, especially in metros; as a result, the demand for active wear is on the rise within the Indian menswear market. We believe focus on sportswear in the segment results in better pricing power. Leisurewear is a bigger segment than innerwear and thus offers good long-term opportunity for Page to expand its product bouquet.
- We forecast sales CAGR of 25.5% over FY15-FY18 (leisurewear segment posted 41.7% over FY12-FY15), led by rising use of branded apparel by customers, ability of Page to leverage Jockey's brand equity by foraying into new sub-segments and increased product reach.

**Exhibit 41: Strong volume-led performance in leisurewear**



Source: Company, MOSL

**Exhibit 42: Leisurewear posted 42% CAGR in revenues over FY11-FY15**



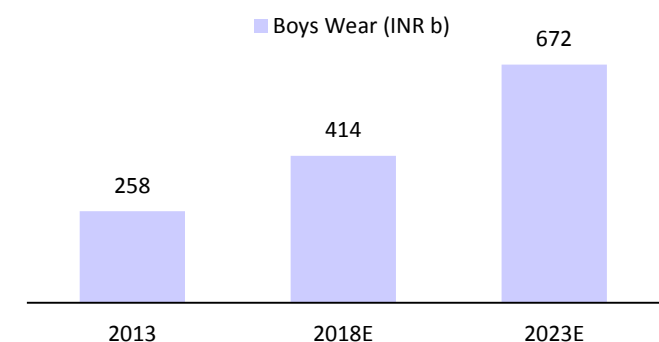
Source: Company, MOSL

### Speedo: Additional growth catalyst

- Page Industries has entered into an exclusive licensing agreement with Speedo International for the manufacture and distribution of Speedo swimwear, water shorts, apparel, equipment and footwear with effect from July 01, 2011. Though swimming is still at a nascent stage in India, it is expected to evolve rapidly—driven by increased fitness consciousness amongst the youth (as per a Nielsen Survey, 3% of the urban audience in Sec A/B are penetration swimmers—swim twice a week) and 24% are potential swimmers). Besides, swimming is increasingly being preferred as a hobby and recreation activity due to rising number of swimming pools. While the overall contribution from the segment remains low (1.5% of revenues as of FY15), we believe it brings to fore the management's underlying strategy to leverage Page's existing distribution network to introduce international brands in India. We note after the initial launch and finalizing the product offerings, PAGE is now focusing on expanding the reach of Speedo—the brand is currently distributed through 986 stores in 74 cities and across 9 Speedo exclusive brand outlets (EBOs).
- Page is also foraying into kids wear segment by tweaking its earlier product offerings and launching a broad-based product range (increasing the width of

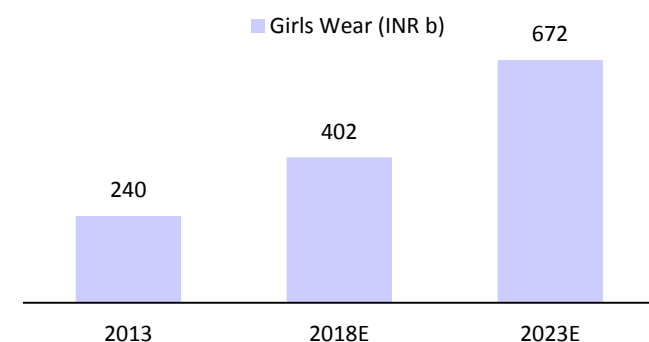
offerings). Though the segment is not expected to contribute meaningfully to revenues in the near term, the underlying characteristics of the category—a) high repeat purchase, b) relative demand inelasticity (typically, pricing is not a deterrent while shopping for kids) and c) limited competition (organized players are focussed on kids apparels rather than kids innerwear segment)—remain attractive.

**Exhibit 43: Kids wear: Boys wear segment to turn ~3x over 2013-23E**



Source: Industry, Company, MOSL

**Exhibit 44: ...so will be the girls wear segment**



Source: Industry, Company, MOSL

- Additionally, Page has exclusive license for Jockey products in Sri Lanka, Republic of Maldives, Bangladesh, Nepal and UAE, however we do not factor anything significant from these geographies in the medium term till Page finalizes its product and distribution strategy.

## Insights from Ground ZERO

We interacted with several channel partners (EBO/MBO) to understand more about the innerwear industry. Following are the key insights:

**Depth of product line:** A customer generally purchases innerwear in bulk; therefore, keeping many SKUs of the entire product line is important.

**Price inflation:** Barring the premium players, companies operating in the regular and economy segments take ~7-8% price hike annually in the men and women's innerwear segment.

**Inventory cover:** Inventory turn in innerwear is significantly higher than other apparel categories.

**Promotion spends:** The innerwear segment generally does not require promotions as it's a necessity product.

**Customer switch:** In the Multi Brand Outlet (MBO) format, players operating in the channel have their own sales staff. A salesperson assists in driving the trial of a new offering and can provide incremental sales of up to 50% by upselling/cross selling products.

### Men's Innerwear segment

- ~70% of men's innerwear shopping is done by women; therefore, a product's color and display (pattern/style/design) are the key parameters for assisting in shopping.
- Customers' pecking order of purchase depends on individual disposable income. However, broadly speaking, comfort, brand and pricing (in that order) are the key determinants. An average customer purchases four pieces of innerwear during a year.
- Jockey's price point is affordable, but its positioning in customers' mind is PREMIUM.
- Individuals in the age group 18-30 are more experimental (patterns/styles/colors) while individuals above this age group generally stick to same brand, however uptrading is regularly seen. Jockey regularly introduces new designs/product line to keep its offerings attuned to market tastes.
- Premium brands such as Calvin Klein and Tommy are focused on quality. Calvin Klein manufactures its products in Thailand and sources it in India. Sales person plays a key role in initial trial of a premium offering and once a customer purchases a premium variant, he generally does not trade down. In FY15, Jockey launched *USA Originals* with trendy colors to compete against international players, which has seen an encouraging response.
- Denim brands such as UCB and US Polo have launched their innerwear brands but customer repeat purchase for such products is lukewarm.
- The men's innerwear segment has a price point gap ranging from INR600 to INR900.

### Women's innerwear segment

- Value-wise category size split between top (bra) and bottom (panty) wear is in the proportion of 65:35—given the fact that cost of top wear is higher than that of bottom wear (average price of top wear is ~2x bottom wear).

- Women's spending on lingerie is miniscule to their overall spending on other discretionary/fashion products, namely shoes, clothing and bags.
- Customer pecking order of purchase—quality/fit/comfort, occasion/dress (sports, casual or party), followed by price—are the key determinants. Generally a customer is focused on the longevity of product and not the price. An average customers purchase 6-8 sets of Innerwear during a year.
- Women use multiple innerwear brands across price points, depending on the occasion (regular use/occasion-driven use).
- Purchase decision is generally taken without interacting with the sales person. However, several companies run fitting sessions to inform customers about the right products, fit, etc. For instance, Triumph and Jockey occasionally run fitting sessions to explain more about the products and offer free bag/lipstick/freebies on purchase of products.
- International brands frequently introduce new products (Triumph/Bwitch introduces new design every three months while Enamor and Jockey launch new design on a half yearly/annual basis).

#### **Kids' innerwear segment**

- There is no pan-India branded player in the kids' innerwear segment. However, international brands such as Tommy and Nautica are incrementally focusing on kids apparel category and new-gen working parents are also looking to increase spends toward branded kids wear.
- Repeat purchase in the kids' innerwear segment is higher than other innerwear segments. An average customer purchases 10-12 sets of kids innerwear during a year as kids have multiple usage requirements—school, play, etc.
- There are few brands in the organized multi-brand channel format—MotherCare (offering for 0-8 years; INR1,200 for 4 units of a boy's undergarment) and SHOP (offering for 2-14 years; INR500 for 5 units of a boy's undergarment). Jockey could introduce its product offering at INR200 and may do well, given its existing connect with customers, as per channel partners.

#### **Leisurewear segment**

- In pyjamas/capris/t-shirts, there are not many brands operating at Jockey's price point (except Hanes and VF in men's segment and Jockey and Lovable in women's category). Other brands do not have the width and depth in the product portfolio similar to Jockey, as per channel partners.
- Sportswear brands such as Puma, Nike, Reebok and Adidas have a broader offering (depth + width) but operate at ~2x Jockey's price point. Jockey is used as a nightwear brand but its USP is its availability at a price point that is at a discount to the sportswear brands and quality superior to the unorganized product. However, Jockey does not compete with certain products in the sportswear category that have high recall—such as Nike sweat-resistant t-shirts.
- Customers in the economy/mass segment use their nightwear products for multiple occasions such as morning walks/gym.

## Significant room to expand distribution

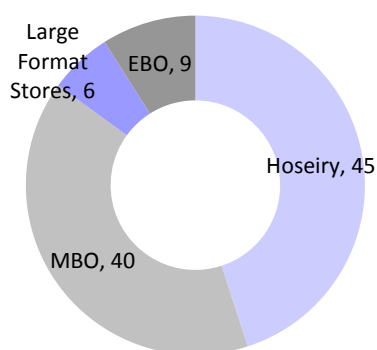
### Distribution and distribution servicing—key growth drivers

Page pioneered the concept of display modules at stores to enhance customer involvement at the time of purchase.

Page fixes MRP for all the products and sells the entire product line at same MRP irrespective of the location.

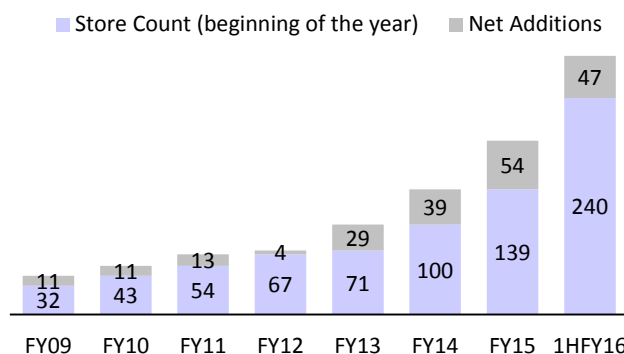
- Page's success is driven by aggressive expansion of its product reach and effective servicing of channel partners. Page's reach has expanded from 800 stores in 1996 to ~30,000 (added 10,000 stores in the last three years).
- Page segments its distributors across regions and on the basis of product range. As per our interaction with various channel partners, PAGE—given its brand equity—offers lower channel margin than peers (25% v/s 30% at retail level); this gets compensated by much higher throughput and superior distribution servicing. Thus, a channel partner still gets higher absolute commission from Page despite lower percentage channel margins.
- A customer generally purchases innerwear in bulk; thus, availability of the product (breadth and depth of product range) is integral to channel servicing. We note that PAGE employs sales personnel at channel partner's premises to bring about smooth functioning of channel framework and effective implementation of marketing and trade strategies. As per our discussion with the management, Page is now rolling out several IT initiatives to improve inventory management at the distributor level.
- PAGE is incrementally focusing on expanding its EBO count (~9% of sales; store count stands at 240), which we believe should aid in enhancing its image as a lifestyle brand. Moreover, the EBO format carries the entire Jockey product range (men, women and leisurewear)—unlike a typical hosiery store, which stocks fast-moving SKUs. The EBO format also drives better brand visibility and enhances customer experience.
- Page is also focusing on expanding the Speedo brand and has increased its store count reach by 50%. The brand is currently distributed through 986 stores in 74 cities and also across its 9 EBOs.

**Exhibit 45: PAGE derives significant revenue contribution (%) from traditional channels**



Source: Company, MOSL

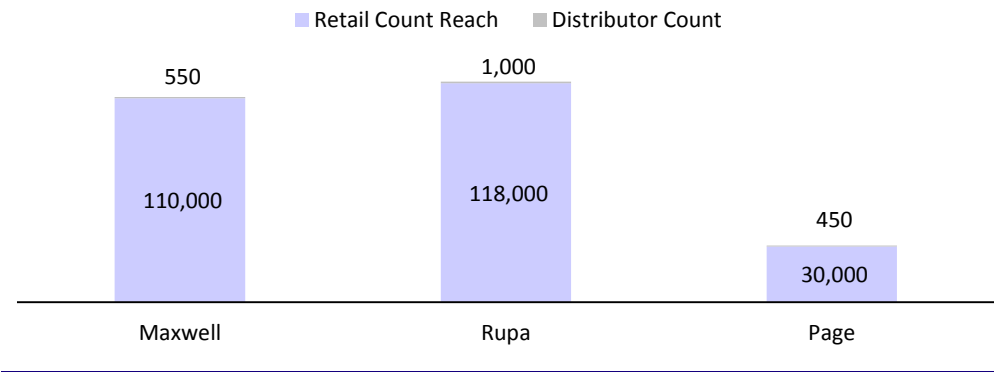
**Exhibit 46: Doubled Jockey EBO count in the last two years, aims to reach 300 EBOs by FY16**



Source: Company, MOSL

- Despite significantly increasing its presence, Page's reach of 30,000 outlets is only 25% of Rupa's 118,000 stores as of FY14. Also, PAGE has launched its own B2C e-commerce channel and tied up with leading online retailers to increase the reach of its products.

Exhibit 47: PAGE retail count at 25% of peers, significant room to expand



Source: Company, MOSL

Exhibit 48: Jockey launched its EBOs under the international format to enhance customer experience



Source: Company, MOSL

Exhibit 49: Jockey opened its first women’s store in FY11 to display its complete line of women’s offerings



Source: Company, MOSL



## 'Affordable yet aspirational' positioning

### Focus on 4F—Function, Fashion, Fun and Fantasy

- Jockey communicates the inherent 4F requirement for an innerwear brand to its target audience in a lucid format.
- Jockey is positioned as an “affordable and comfort” brand in the innerwear segment, though with an aspirational element. It had initiated the “Just Jockeying” campaign during FY10-14 to transform itself into a lifestyle brand—extending from being a strong men’s brand to a unisex and a leisurewear brand. During FY15, it rechristened Jockey’s positioning with a new campaign, “Jockey or Nothing”, enhancing its stature and brand leadership in consumers’ minds.
- Page focuses on BTL activities and does in-store adverts and display signage to increase brand visibility. However, it rarely—if ever—goes for above-the-line promotions.

**Exhibit 50: Jockey initiated the Just Jockeying campaign in FY10 to position itself as a lifestyle brand**



Source: Company, MOSL

**Exhibit 51: PAGE rolled out a new campaign in FY15—“Jockey or Nothing”—to enhance its brand equity**



Source: Company, MOSL

**Exhibit 52: Page spends ~4% on advertising; spends linked to campaign**

(%)	FY10	FY11	FY12	FY13	FY14	FY15
Page Industries	5.1	2.5	3.0	3.3	4.4	4.6
Lovable Lingerie	1.7	4.6	5.1	5.9	2.0	2.6
Maxwell Industries	2.7	4.4	1.7	5.3	1.1	0.6
Rupa Industries	7.8	7.7	7.0	7.4	7.7	6.9

Source: Company, MOSL

- Given its strong brand equity in consumers’ minds, Jockey ranks far ahead of competitors in Brand Equity Survey conducted by Nielsen (refer to Exhibits 54 and 55). We note in the men’s innerwear segment, Jockey is the leading pan-India brand with strong foothold in north and south India. In the women’s innerwear segment, Jockey stands clearly ahead of other brands in the west and south India.



Exhibit 53: Jockey: Brand Philosophy



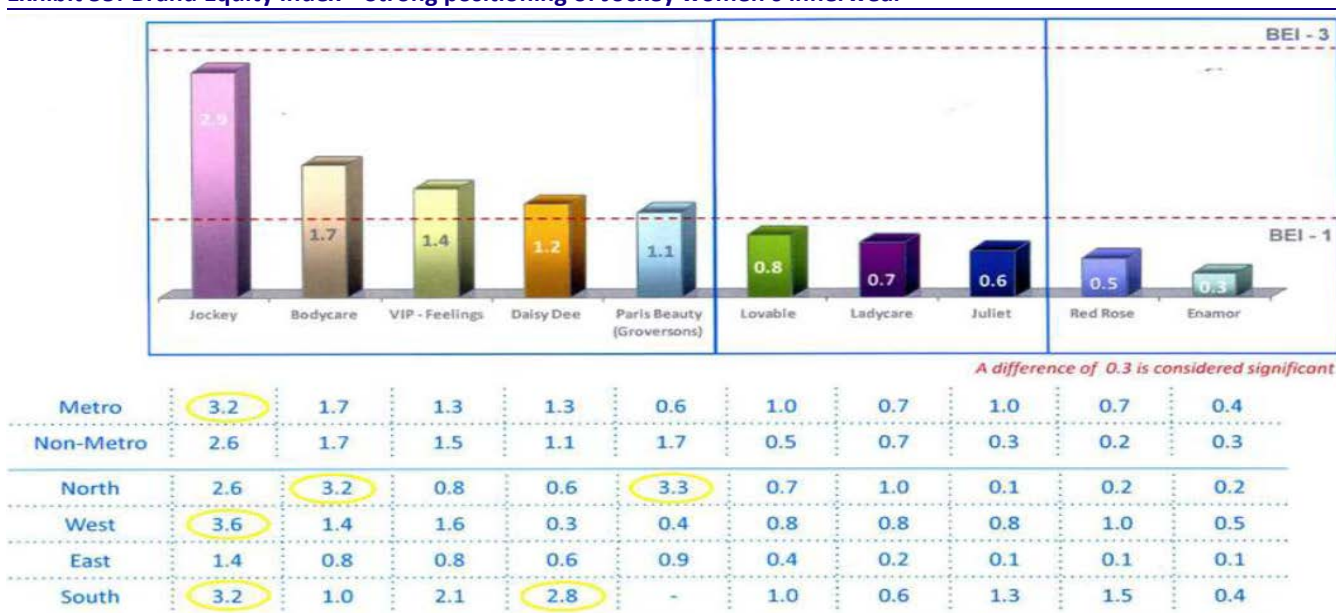
Source: Company, MOSL

Exhibit 54: Brand Equity Index—Jockey men's innerwear on a strong footing relative to its peers



Source: Company, Nielsen, MOSL

Exhibit 55: Brand Equity Index—Strong positioning of Jockey women's innerwear



Source: Company, Nielsen, MOSL

## **Strong manufacturing set-up—an entry barrier for competitors**

### **Global lineage aids new product development**

#### **Integrated manufacturing set-up provides better control over quality**

- PAGE has its manufacturing set-up across eight adjacent factories at a single location engaged in integrated garmenting processes—from cutting of the fabric to packing of the finished product. While other players in the innerwear segment procure their finished goods from third-party contractors, PAGE develops its product in-house with better quality control.
- However, it is dependent on external suppliers for certain raw material inputs—especially fabric, which is the largest component in material costs. With swift payment norms (payable days for Page are half of that for other companies in the innerwear industry) and a sustained high growth rate, Page has established strong relationships with its vendors.

#### **Large employee base; difficult to replicate for competitors**

- Page has 18,717 employees across its factories, of which ~85% are women (higher women count restrains labor unrest issues, which is not the case in a male-dominated workforce). Given the paucity of quality labor, Page undertakes several initiatives to keep the workforce motivated and trained. It introduced “Page School of Learning” during FY15 wherein women workers from the shop-floor are provided with in-house learning methodologies, which aid self-development.
- Given that majority of its labor force is women, Page provides crèche facilities to employees wherein food and snacks (including milk) are provided free of cost. Moreover, the company has set up health centres internally to provide for a congenial work environment.
- We note that under the existing contract with Jockey, inability of Page to carry out production for 60 consecutive days could result in termination of the agreement. However, Page is yet to witness any labor-related issue due to its relentless focus on employee relations and development.
- PAGE has also been certified by US-based WRAP (World Wide Responsible Apparel Production) for adherence to the principles covering Labour & Human Relations and applicable local laws pertaining to industrial production.

#### **Jockey parentage aids innovation and NPD (New Product Development)**

- Jockey enjoys a strong parent lineage and with support of its 43 licensees, it gets ready access to research and know-how; this drives innovation and new product development. Page’s design team regularly takes inputs from global team on fit/size/quality for new product offerings.

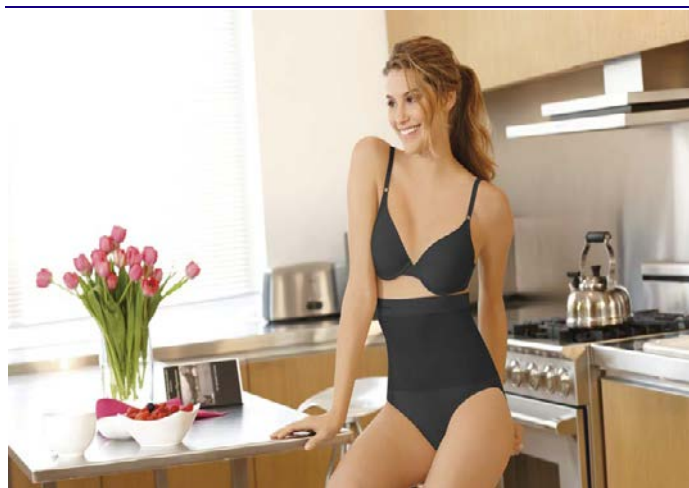
**Exhibit 56: Recent NPDs**

Year	New Product Introduction
<b>FY10</b>	Women's 24*7 stretch range - Capris, long pants, t-shirts
	Comfort Stretch - Panties
	Sports- Knit shorts, track pants, fashion/racer backs vests, muscle tees, slim polos and sports T-shirts
	Sports Performance
<b>FY11</b>	Lace Essence - Bra (Fabric - stretch cotton) - Everyday wear
	Signature Stretch - Panties, Bra range; coordinating colors
	Zone Stretch - Boxer briefs
	Comfort Plus - Trunk briefs
<b>FY12</b>	Fashion Stretch - Panties and Bras
	Essence – Bras
	24*7 relax - Boxer shorts for women
	Kids - Jockey Kids - both boys and girls
<b>FY13</b>	No Panty Line Promise
	Sports Performance Microfiber Seam free
	International Collection - Modern Thermals
	Pop Color - Premium Innerwear for young men
<b>FY14</b>	Jockey new Seamless Shape wear
<b>FY15</b>	Jockey USA Originals
	International Collection for Women

Source: Company, MOSL

**Exhibit 57: Page introduced Jockey USA Originals in FY15 to compete with premium innerwear brands**

Source: Company, MOSL

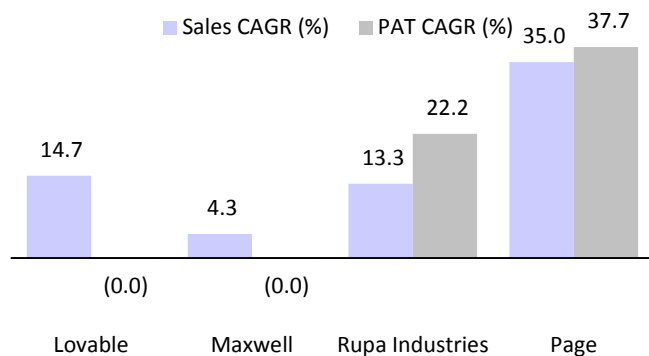
**Exhibit 58: Consistently introduced new products in women's innerwear**

Source: Company, MOSL

## Fastest growing consumer franchise with deep and wide MOAT

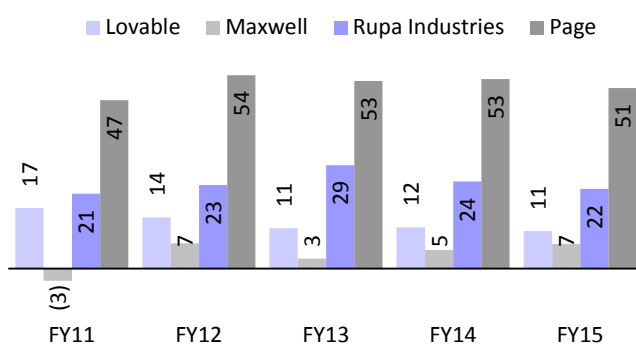
Brand strength reflected in superior financials

**Exhibit 59: PAGE posted industry-leading performance during FY10-15 despite weak macros**



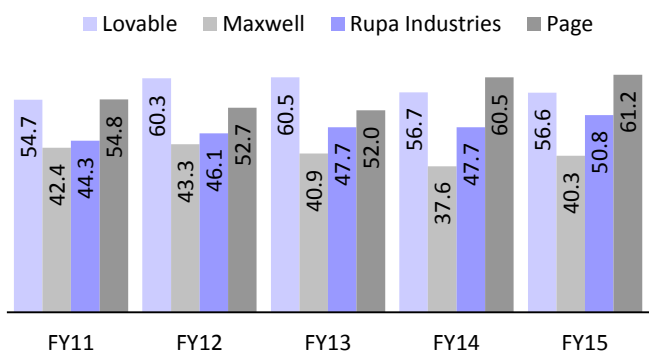
Source: Company, MOSL

**Exhibit 60: Best-in-class RoEs amongst peers (%)**



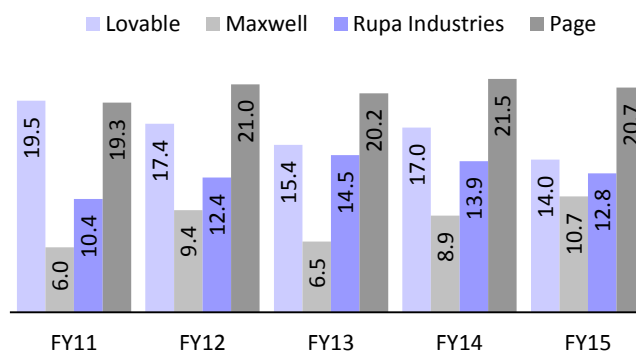
Source: Company, MOSL

**Exhibit 61: Better pricing power enables PAGE to enjoy superior gross margins (%)**



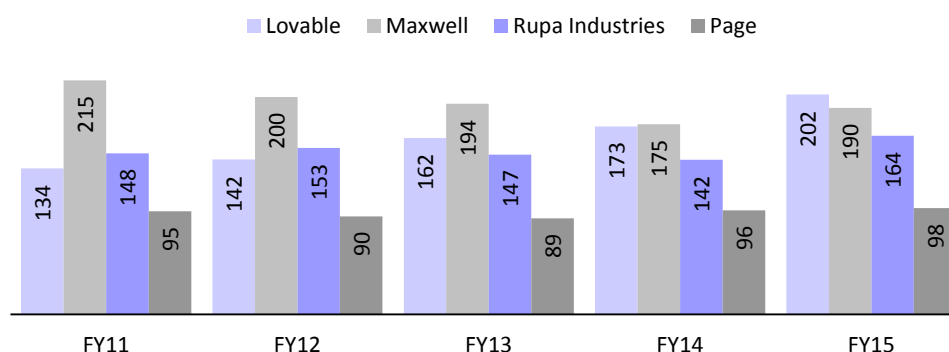
Source: Company, MOSL

**Exhibit 62: Consistent and upward trending EBITDA Margins (%)**



Source: Company, MOSL

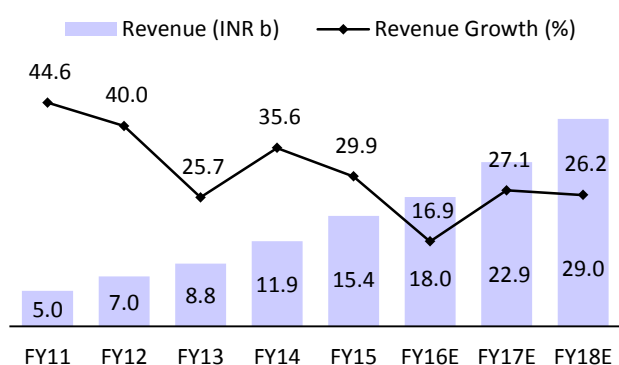
**Exhibit 63: Page's cash conversion cycle days are better than peers despite lower payable days**



Source: Company, MOSL

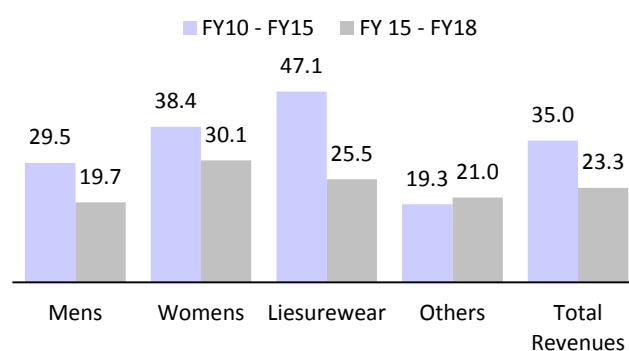
- **Expect robust revenue CAGR of 23% over FY15-18:** We expect PAGE to post 23% revenue CAGR over FY15-18, driven by a) shift from unorganized to organized players underpinned by favorable demographics and rising affluence; b) increased product reach; and c) expansion of product portfolio. We expect PAGE's volume growth to revive with improvement in consumer discretionary spends and model 14% volume CAGR over FY15-FY18.
- **EBITDA margin to be in the 20-22% band:** PAGE's operating margins have stayed in the 20-22% range, demonstrating its superior pricing power. We believe benign input prices (cotton prices are down 9% QoQ and 17% YoY) and mix improvement to be incrementally invested in higher brand spends, thereby keeping EBITDA margins steady in the 20-22% band over FY15-FY18.

**Exhibit 64: PAGE expected to post 23% revenue CAGR over FY15-FY18..**



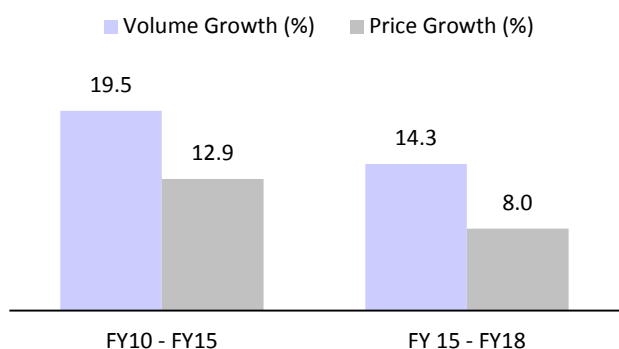
Source: Company, MOSL

**Exhibit 65: ..driven by broad-based growth (%) in various sub-segments**



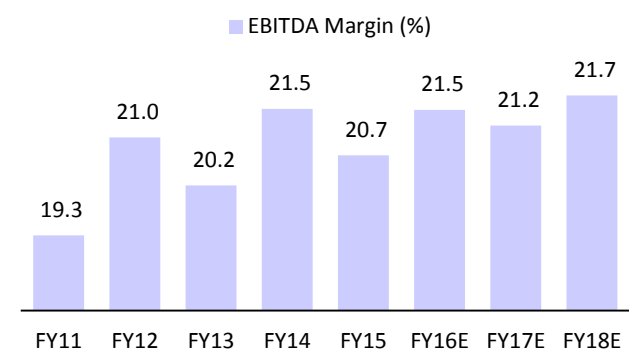
Source: Company, MOSL

**Exhibit 66: Sales growth to be primarily volume led**



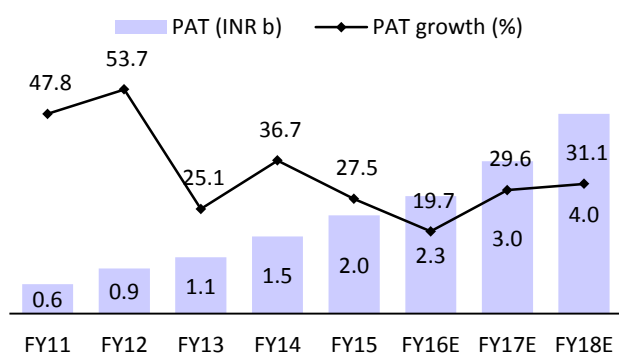
Source: Company, MOSL

**Exhibit 67: EBITDA margins to remain in ~20-22% band**



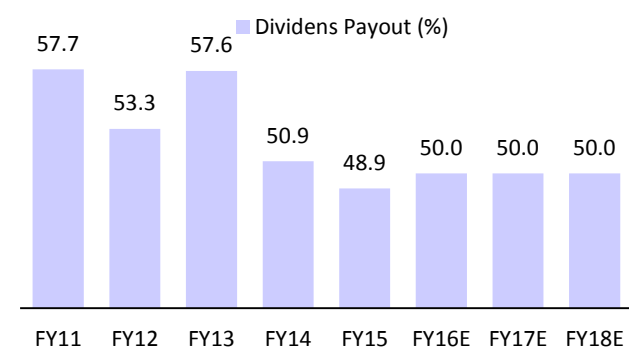
Source: Company, MOSL

**Exhibit 68: PAT expected to post 27% CAGR over FY15-FY18**



Source: Company, MOSL

**Exhibit 69: Payout ratio (%) to remain steady**



Source: Company, MOSL

- **Capital efficient model; steady return ratios:** Our expectation of 27% PAT CAGR and moderate capex requirement and stable working capital profile should result in stable RoE of 45-50%. PAGE is looking to invest in automating its distribution network, which could result in better availability of its product offerings and gradual reduction in inventory days. The company's healthy balance sheet should strengthen further, providing it the flexibility to venture into new segments or increase payout.

**Exhibit 70: Improvement in net working capital days driven by better inventory management, led by roll out of several IT initiatives**

	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Debtor days	17	18	21	20	19	18	17	17
Inventory days	95	88	85	92	95	94	88	87
Payable days	17	16	18	16	17	17	15	15
<b>Net Working Capital days</b>	<b>95</b>	<b>90</b>	<b>89</b>	<b>96</b>	<b>98</b>	<b>95</b>	<b>89</b>	<b>89</b>

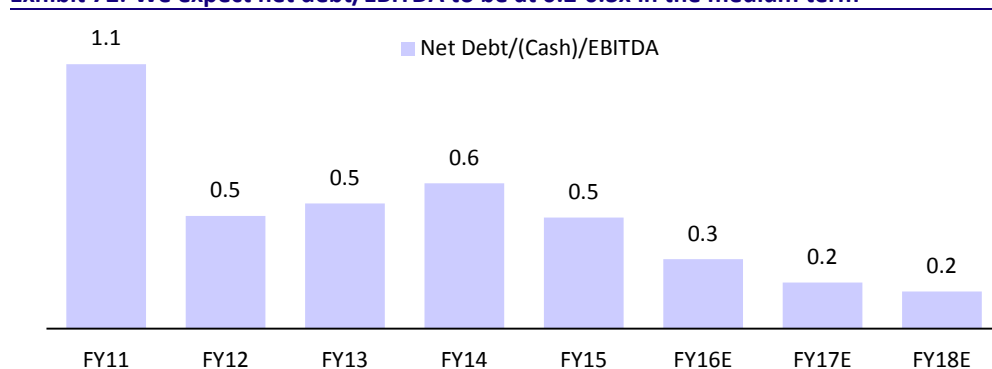
Source: Company, MOSL

**Exhibit 71: Best-in-class RoE (%)**

	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Asset Turns (x)	2.1	2.9	2.8	2.6	2.8	2.8	2.9	2.9
Leverage (x)	1.9	1.5	1.5	1.6	1.4	1.3	1.2	1.1
Net Margin (%)	11.8	12.9	12.8	12.9	12.7	13.0	13.3	13.8
<b>RoE</b>	<b>47.3</b>	<b>54.3</b>	<b>52.7</b>	<b>53.2</b>	<b>50.7</b>	<b>46.5</b>	<b>46.3</b>	<b>46.6</b>

Source: Company, MOSL

**Exhibit 72: We expect net debt/EBITDA to be at 0.2-0.3x in the medium term**

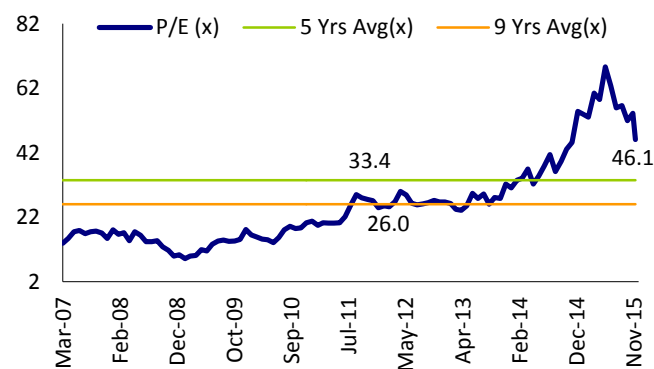


Source: Company, MOSL



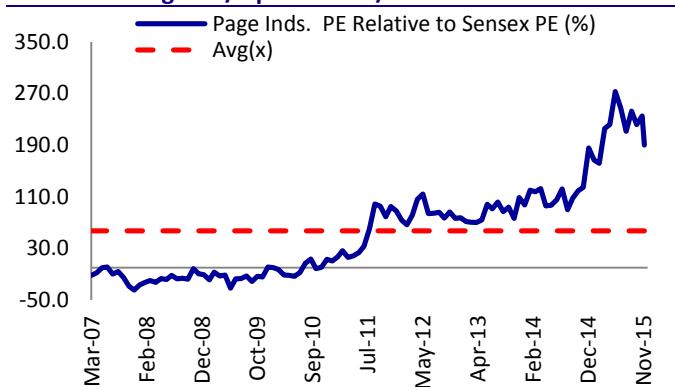
**Valuation and view: Earnings visibility to support premium valuations; initiate with a BUY:** Page offers a compelling, capital-efficient long-term lifestyle play on premiumizing innerwear category. Four-fifths of the innerwear category is still sub-premium and provides a decent runway for premiumization-led growth. We believe widening product and brand portfolio, coupled with distribution expansion will aid share expansion and drive multiple years of growth. We initiate coverage with a BUY Rating and target price of INR14,500 (41x FY18E EPS—three year average P/E). Given the strong earnings visibility, steady return ratios and lack of credible/relevant competitor in the premium space, we expect the premium valuations to sustain. We believe the stock offers healthy long-term returns potential; we expect 21% CAGR over three years and 22% CAGR over eight years. Heightened competitive intensity from international brands and potential labor issues (has ~18k employees on rolls) are key risks.

Exhibit 73: Page P/E



Source: BSE, Company, MOSL

Exhibit 74: Page's P/E premium v/s Sensex



Source: BSE, Company, MOSL



## Long-term construct: Page can be a multi-year compounder

### Market shares can double in five years; 20% CAGR stock returns in three years

- One of the key reasons Page trades at premium valuations is the potential for multiple years of attractive growth. Thus, even though the near-term valuations are expensive and provide limited upside, we believe returns over 3/5/10 years can be healthy. Moat created by Page over the last 20 years will stand it in good stead for many years to come, in our view. In our recent interactions, Mr. Genomal sounded confident of delivering growth rates achieved in the last five years for another five years at least.
- Big opportunity in innerwear, Page's early-mover advantage and *right to win*, coupled with lack of credible and relevant competition in the premium space (international brands lack scale while domestic brands with scale do not have presence in the premium space) should ensure sustenance of premium valuations, in our view. The key difference with respect to other consumer franchises in our universe is: a) Lower penetration for branded innerwear apparels, b) pricing power on account of niche positioning and c) benign competitive environment.
- In the section below, we discuss the long-term growth rates for Page in its key segments. Our long-term assumptions are predicated on continued shift toward organized players, improvement in the macroeconomic scenario, demographic factors playing out over the next decade (urbanization, rising incomes, rising proportion of working women, greater fashion awareness) and Page continuing to gain modest market share annually through portfolio and distribution expansion.
- **Men's innerwear:** The men's innerwear segment grew at 10% CAGR over FY10-FY15. We expect this trend to continue with organized market posting a higher 12% growth, within which Page's target segment (mid-premium and premium) posting a 15% CAGR. We expect Page's volume to continue to grow in the 13-15% band while pricing growth is baked in at 6-8%. Consequently, we expect Page's market share to expand from the existing 9.2% to 14.7% by FY20.
- **Women's innerwear:** The women's innerwear category is growing faster than the men's segment and we expect this trend to continue. We expect the category to grow at 14%, with organized segment posting 17% CAGR over FY15-20. We model 20% growth for the company's target segment owing to premiumization, and expect Page's women's innerwear volume CAGR of 18-20% and pricing CAGR of 6-8% over FY15-20. Consequently, Page's market share can expand from the existing 2.3% to 4.2% by FY20.
- Overall, we expect Page's combined market share (men's and women's innerwear) to expand from 5.1% in FY15 to 8% in FY20. Thus, 25-30% topline CAGR in Page is still possible despite the high base of 35% CAGR over FY10-15. Assuming modest margin gains and operating margins in the 21-22% band, we believe similar profit CAGR is attainable. In our view, Page is still a 20%+ CAGR story on a long-term basis. In the next section we discuss the potential long-term investment returns.

**Exhibit 75: Page's growth to be driven by market share gains in an expanding category**

INR b	FY14	FY15	FY16E	FY17E	FY18E	FY19E	FY20E
<b>INNERWEAR MARKET (Organized + Unorganized)</b>							
Market Size	180	202	227	255	287	323	363
YoY growth (%) in this market		12.3	12.3	12.4	12.4	12.4	12.5
Page - Mens & Womens Innerwear Sales	7.9	10.4	12.1	15.3	19.1	23.6	29.2
YoY growth (%)		31.4	17.8	26.4	25.0	23.4	23.5
<b>Page Market Share (%)</b>	<b>4.4</b>	<b>5.1</b>	<b>5.3</b>	<b>6.0</b>	<b>6.7</b>	<b>7.3</b>	<b>8.0</b>
<b>MENS INNERWEAR CATEGORY</b>							
Market Size	76	83	91	101	111	122	134
YoY growth (%) in this market		10.0	10.0	10.0	10.0	10.0	10.0
Organised Market Size	42	47	52	58	65	73	82
YoY growth (%) in this market		12.0	12.0	12.0	12.0	12.0	12.0
Page Target Market	30	35	40	46	53	61	70
YoY growth (%) in this market		15.0	15.0	15.0	15.0	15.0	15.0
Page - Mens Innerwear Sales	5.8	7.7	8.6	10.7	13.2	16.1	19.6
YoY growth (%)		32.4	12.3	24.2	23.1	22.0	22.0
<b>Page Market Share (%)</b>	<b>7.7</b>	<b>9.2</b>	<b>9.4</b>	<b>10.7</b>	<b>11.9</b>	<b>13.2</b>	<b>14.7</b>
<b>WOMENS INNERWEAR CATEGORY</b>							
Market Size	104	119	136	155	176	201	229
YoY growth (%) in this market		14.0	14.0	14.0	14.0	14.0	14.0
Organised Market Size	52	61	71	84	98	114	134
YoY growth (%) in this market		17.0	17.0	17.0	17.0	17.0	17.0
Page Target Market	42	50	60	73	87	105	125
YoY growth (%) in this market		20.0	20.0	20.0	20.0	20.0	20.0
Page - Womens Innerwear Sales	2.1	2.7	3.5	4.6	6.0	7.5	9.6
YoY growth (%)		28.7	29.2	31.8	29.5	26.7	26.8
<b>Page Market Share (%)</b>	<b>2.0</b>	<b>2.3</b>	<b>2.6</b>	<b>3.0</b>	<b>3.4</b>	<b>3.8</b>	<b>4.2</b>

Source: Industry, Company, MOSL

**Multi-year 20% CAGR returns achievable**

- As discussed in earlier sections, Page can deliver ~25% sales and PAT CAGR over FY15-20E. Though lower than the 35% CAGR achieved in FY10-15, we believe it is still robust.
- Even after assuming a 20% de-rating from current P/E multiples, Page can still deliver ~20% CAGR returns over the next three years. In our workings we assign a P/E multiple of 35x, a 20% de-rating over the current P/E of 43x FY17E. Valuing FY20E EPS (Sep'19) at 35x, we arrive at 21% return CAGR over the next three years in Sep'18.
- Similarly, forecasting for FY25, we arrive at 22% stock returns over the next eight years. Post FY20, we build in lower topline CAGR of 25% over FY20-25 (base effect) and 80bp operating margin expansion to 22% (premiumization and operating leverage) by FY25. We assume another 15% de-rating in target P/E—from 35x to 30x over FY20-25.

**Exhibit 76: Page offers multi-year return potential despite rich valuations**

<b>PAGE (INR b)</b>	<b>2015</b>	<b>2020E</b>	<b>2025E</b>
Sales	15.4	57.3	174.8
Sales CAGR from FY15 (%)		30.0	27.5
EBITDA	3.2	12.1	38.4
EBITDA Margin (%)	20.7	21.2	22.0
EBITDA CAGR from FY15 (%)		30.6	28.3
PAT	2.0	7.6	24.5
PAT Margin	12.7	13.2	14.0
PAT CAGR from FY15 (%)		31.0	28.7
Long term potential stock return			
Potential Market Cap (INR b)		265	735
Current Market Cap (INR b)		136	136
<b>CAGR Return (%)</b>		<b>21%</b>	<b>22%</b>

Source: MOSL

## Management details and shareholding pattern

### Exhibit 77: Details of senior management team

Name of Person	Role	Background	Remuneration (INR m)	% of Shareholding
Mr. Sunder Genomal	Managing Director	i. More than three decades of experience in various facets of the textile industry	12.0	17.0
Mr. Shamir Genomal	Executive Director- Chief Strategy Officer	i. Eight years of experience in various facets of textile industry	6.6	-
Mr. Pius Thomas	Executive Director - Finance	i. More than three decades of experience in finance, accounts, costing ,taxation purchase ii. Previously worked with Electronic Research Limited and Tata Oil Mills	11.2	-
Mr. Vedji Ticku	Chief Operating Officer	i. More than two decarde of experience in various facets of textile industry ii. Previously worked with Eureka Forbes Ltd	23.1	NA
Mr. V S Ganesh	Manufacturing & Operations	i. 25 years of experience working in various industries	7.4	NA
Mr. M C Cariappa	Sales & Marketing	i. 19 years of experience in the domain of Sales & Marketing ii. Previously worked with Coca Cola, ITC and Brooke Bond Lipton	9.2	NA
Mrs. Shelagh Margaret Commons	Head – Product Development	i. 21 years' experience in designing and development of intimate apparel ii. Previously worked with Noi Soultions, Timex Garments, Comfortwear and Intimark Mexico	9.7	NA

Source: Company, MOSL

### Exhibit 78: Details of Board of Directors

Name of Director	Position	# Directorship in Other Co's	# Shares	% of Total	% of Board Meeting Attended
Mr. Pradeep Jaipuria	Chairman	1	Nil	-	2/4
Mr. Sunder Genomal	Managing Director - Promoter	0	1,895,646	17.0	4/4
Mr. Nari Genomal	Non-Executive Director - Promoter	0	1,896,503	17.0	NA
Mr. Ramesh Genomal	Non-Executive Director - Promoter	0	1,895,920	17.0	NA
Mr. Shamir Genomal	Executive Director – Chief Strategy Officer - Promoter	0	200	-	3/4
Mr. Pius Thomas	Executive Director - Finance	0	171	-	4/4
Mr. Timothy Ralph Wheeler	Director	1	-	-	4/4
Mr. G P Albal	Independent Director	0	-	-	3/4
Mr. B C Prabhakar	Independent Director	1	-	-	3/4
Mrs. Rukmani Menon	Independent Director	0	-	-	2/4
Mr. V Sivadas	Alternate Director	0	78	-	4/4
Mr. P V Menon	Director	0	-	-	4/4

Note: PAGE has added Mr Sandeep Kumar Maini and Mr Vikram Gamanlal Shah as Independent Directors from 28<sup>th</sup> May 2015

Source: Company, MOSL

### Exhibit 79: Shareholding Pattern (%)

(%)	Mar'11	Mar'12	Mar'13	Mar'14	Mar'15	Sept'15
Promoter	60.4	59.5	57.5	51.8	51.0	51.0
FII	13.53	15.8	19.2	32.58	32.3	33.7
DII	20.46	18.6	15.7	7.5	6.5	5.2
Others	5.6	6.1	7.7	8.1	10.2	10.1

Source: Company, MOSL

## Financials and Valuations

### Income Statement (INR Million)

Y/E March	2011	2012	2013	2014	2015	2016E	2017E	2018E
<b>Net Sales</b>	<b>4,977</b>	<b>6,966</b>	<b>8,758</b>	<b>11,877</b>	<b>15,430</b>	<b>18,044</b>	<b>22,940</b>	<b>28,955</b>
Change (%)	44.6	40.0	25.7	35.6	29.9	16.9	27.1	26.2
Total Expenditure	4,016	5,504	6,992	9,326	12,240	14,171	18,079	22,669
<b>EBITDA</b>	<b>960</b>	<b>1,462</b>	<b>1,766</b>	<b>2,551</b>	<b>3,190</b>	<b>3,873</b>	<b>4,861</b>	<b>6,286</b>
Change (%)	40.0	52.2	20.8	44.5	25.1	21.4	25.5	29.3
Margin (%)	19.3	21.0	20.2	21.5	20.7	21.5	21.2	21.7
Depreciation	98	106	114	139	176	212	250	299
Int. and Fin. Ch.	48	67	80	142	167	163	148	132
Other Inc.- Rec.	63	52	85	65	86	90	115	145
<b>PBT</b>	<b>878</b>	<b>1,341</b>	<b>1,657</b>	<b>2,335</b>	<b>2,933</b>	<b>3,588</b>	<b>4,578</b>	<b>5,999</b>
Change (%)	50.0	52.8	23.6	40.9	25.6	22.3	27.6	31.1
Tax	292	441	531	797	973	1,241	1,538	2,016
Tax Rate (%)	33.3	32.9	32.1	34.1	33.2	34.6	33.6	33.6
<b>Adjusted PAT</b>	<b>585</b>	<b>900</b>	<b>1,125</b>	<b>1,538</b>	<b>1,960</b>	<b>2,346</b>	<b>3,040</b>	<b>3,984</b>
Change (%)	47.8	53.7	25.1	36.7	27.5	19.7	29.6	31.1
<b>Reported PAT</b>	<b>585</b>	<b>900</b>	<b>1,125</b>	<b>1,538</b>	<b>1,960</b>	<b>2,346</b>	<b>3,040</b>	<b>3,984</b>

### Balance Sheet

(INR Million)

Y/E March	2011	2012	2013	2014	2015	2016E	2017E	2018E
Share Capital	112	112	112	112	112	112	112	112
Reserves	1,126	1,546	2,024	2,778	3,756	4,929	6,449	8,441
<b>Net Worth</b>	<b>1,238</b>	<b>1,658</b>	<b>2,135</b>	<b>2,890</b>	<b>3,868</b>	<b>5,041</b>	<b>6,561</b>	<b>8,552</b>
Loans	1,150	759	1,007	1,632	1,573	1,473	1,373	1,273
<b>Capital Employed</b>	<b>2,388</b>	<b>2,417</b>	<b>3,142</b>	<b>4,522</b>	<b>5,440</b>	<b>6,514</b>	<b>7,933</b>	<b>9,825</b>
Gross Block	1,259	1,504	1,860	2,404	3,059	3,795	4,414	5,718
Less: Accum. Depn.	328	428	538	676	886	1,098	1,349	1,648
<b>Net Fixed Assets</b>	<b>931</b>	<b>1,076</b>	<b>1,322</b>	<b>1,728</b>	<b>2,173</b>	<b>2,697</b>	<b>3,065</b>	<b>4,071</b>
Capital WIP	102	165	138	36	1	1	1	1
Investments	30	18	10	0	0	0	0	0
<b>Curr. Assets, L&amp;A</b>	<b>2,327</b>	<b>2,457</b>	<b>3,248</b>	<b>5,092</b>	<b>6,061</b>	<b>6,943</b>	<b>8,813</b>	<b>10,703</b>
Inventory	1,647	1,726	2,350	3,626	4,435	4,845	6,159	7,616
Account Receivables	258	437	581	727	884	939	1,194	1,507
Cash and Bank Balance	26	31	46	35	44	315	403	264
Others	395	263	271	705	698	845	1,057	1,317
<b>Curr. Liab. and Prov.</b>	<b>976</b>	<b>1,263</b>	<b>1,518</b>	<b>2,239</b>	<b>2,680</b>	<b>3,014</b>	<b>3,831</b>	<b>4,836</b>
Account Payables	251	373	473	586	821	840	1,068	1,349
Other Liabilities	78	155	216	423	504	544	691	873
Provisions	646	734	830	1,230	1,355	1,629	2,071	2,614
<b>Net Curr. Assets</b>	<b>1,351</b>	<b>1,194</b>	<b>1,730</b>	<b>2,853</b>	<b>3,381</b>	<b>3,930</b>	<b>4,982</b>	<b>5,868</b>
Def. Tax Liability	26	36	57	95	114	114	114	114
<b>Appl. of Funds</b>	<b>2,388</b>	<b>2,417</b>	<b>3,142</b>	<b>4,522</b>	<b>5,440</b>	<b>6,514</b>	<b>7,933</b>	<b>9,825</b>

## Financials and Valuations

### Ratios

Y/E March	2011	2012	2013	2014	2015	2016E	2017E	2018E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>52.5</b>	<b>80.7</b>	<b>100.9</b>	<b>137.9</b>	<b>175.7</b>	<b>210.4</b>	<b>272.5</b>	<b>357.1</b>
Cash EPS	61.3	90.2	111.1	150.4	191.6	229.4	295.0	383.9
BV/Share	111.0	148.6	191.4	259.1	346.8	451.9	588.2	766.8
DPS	26.0	37.0	50.0	60.0	72.0	89.9	116.5	152.6
Payout (%)	57.7	53.3	57.6	50.9	48.9	50.0	50.0	50.0

### Valuation (x)

P/E	249.1	162.1	129.6	94.8	74.4	57.8	44.6	34.0
Cash P/E	213.3	144.9	117.7	86.9	68.2	53.0	41.2	31.7
EV/Sales	29.5	21.0	16.8	12.4	9.5	7.6	6.0	4.7
EV/EBITDA	153.0	100.2	83.1	57.8	46.2	35.3	28.1	21.7
P/BV	117.8	88.0	68.3	50.5	37.7	26.9	20.7	15.9
Dividend Yield (%)	0.2	0.3	0.4	0.5	0.6	0.7	1.0	1.3

### Return Ratios (%)

Asset Turn	2.1	2.9	2.8	2.6	2.8	2.8	2.9	2.9
Leverage	1.9	1.5	1.5	1.6	1.4	1.3	1.2	1.1
Net Margin	11.8	12.9	12.8	12.9	12.7	13.0	13.3	13.8
RoE	47.3	54.3	52.7	53.2	50.7	46.5	46.3	46.6
RoCE	31.4	39.3	42.4	42.6	41.6	41.0	43.4	45.9
RoIC	31.0	40.5	42.8	42.1	40.1	40.5	43.9	45.9

### Working Capital Ratios

Asset Turnover (x)	2.9	3.2	3.1	3.1	3.1	3.2	3.3	3.3
Debtor Days	17	18	21	20	19	18	17	17
Creditor Days	17	16	18	16	17	17	15	15
Inventory Days	95	88	85	92	95	94	88	87

### Leverage Ratio

Debt/Equity (x)	0.5	0.5	0.6	0.4	0.3	0.2	0.1	0.1
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### Cash Flow Statement

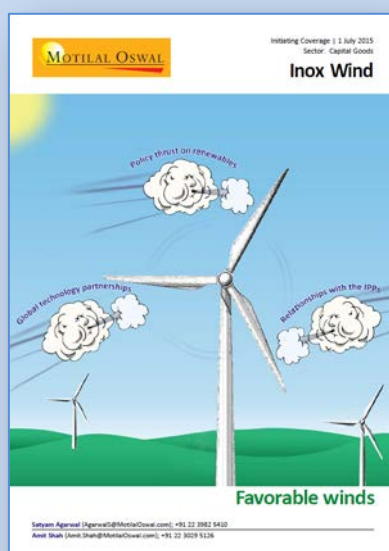
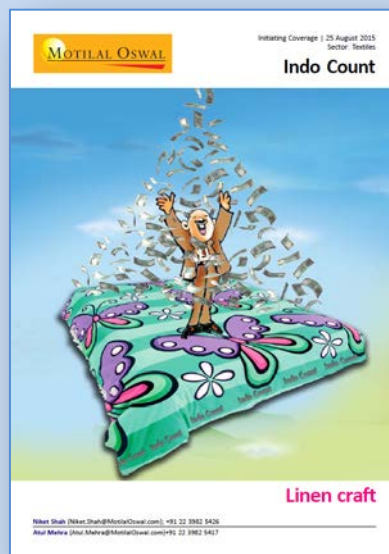
(INR Million)

Y/E March	2011	2012	2013	2014	2015	2016E	2017E	2018E
Profit before Tax	878	1,341	1,657	2,335	2,933	3,588	4,578	5,999
Depreciation	98	106	114	139	176	212	250	299
Other Non Cash & Non oper. activities	40	59	74	122	96	73	33	-12
Incr in WC	-720	147	-457	-1,098	-569	-278	-964	-1,025
Direct Taxes Paid	-298	-427	-516	-750	-966	-1,241	-1,538	-2,016
<b>CF from Operations</b>	<b>-2</b>	<b>1,226</b>	<b>871</b>	<b>747</b>	<b>1,670</b>	<b>2,353</b>	<b>2,359</b>	<b>3,245</b>
Incr in FA	-281	-271	-435	-511	-534	-737	-618	-1,305
<b>Free Cash Flow</b>	<b>-283</b>	<b>955</b>	<b>436</b>	<b>237</b>	<b>1,136</b>	<b>1,616</b>	<b>1,741</b>	<b>1,940</b>
Pur of Investments	9	18	16	22	2	90	115	145
<b>CF from Invest.</b>	<b>-273</b>	<b>-253</b>	<b>-419</b>	<b>-489</b>	<b>-531</b>	<b>-647</b>	<b>-503</b>	<b>-1,160</b>
Incr in Debt	603	-503	238	625	-59	-100	-100	-100
Dividend Paid	-286	-402	-596	-756	-899	-1,173	-1,520	-1,992
Others	-46	-63	-80	-139	-171	-162	-147	-131
<b>CF from Fin. Activity</b>	<b>271</b>	<b>-968</b>	<b>-438</b>	<b>-270</b>	<b>-1,129</b>	<b>-1,435</b>	<b>-1,767</b>	<b>-2,223</b>
<b>Incr/Decr of Cash</b>	<b>-4</b>	<b>5</b>	<b>14</b>	<b>-11</b>	<b>9</b>	<b>271</b>	<b>89</b>	<b>-138</b>
Add: Opening Balance	30	26	31	46	34	43	314	402
<b>Closing Balance</b>	<b>26</b>	<b>31</b>	<b>46</b>	<b>34</b>	<b>43</b>	<b>315</b>	<b>403</b>	<b>264</b>



# REPORT GALLERY

## RECENT INITIATING COVERAGE REPORTS





NOTES

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