



# GNAM Investment Competition

IIM Bangalore  
Page Industries Limited

30 October 2016

Pulkit Aggarwal

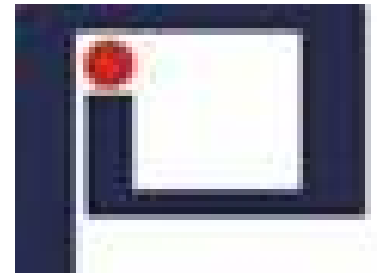
Divya Ganapathy

Jayesh Bhansali

Madhav Marda

Mohan Raj

Udit Jalan





# EXECUTIVE SUMMARY

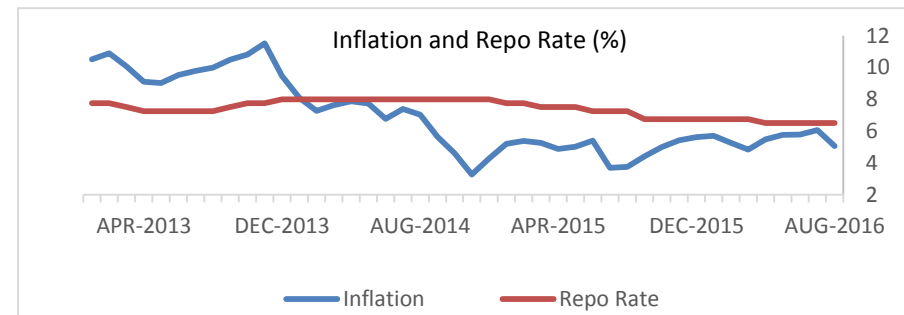
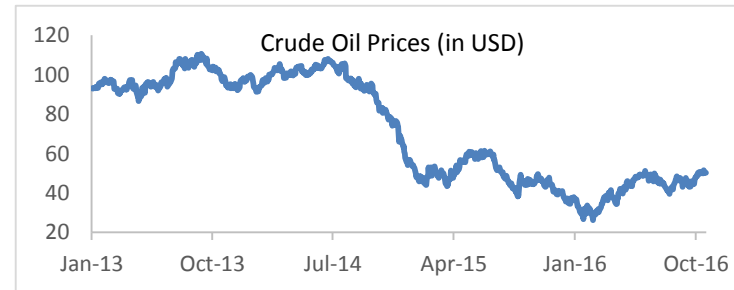
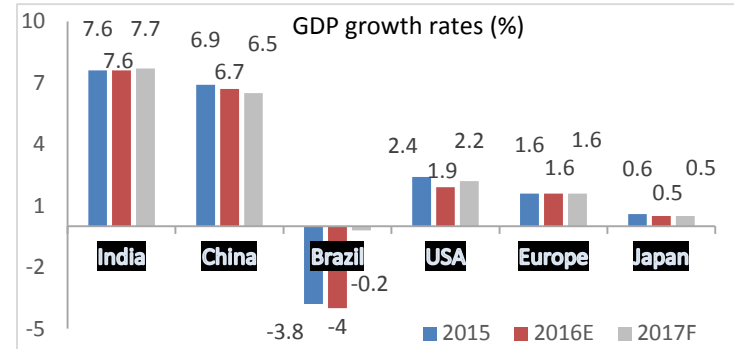
- ❖ Page is a dominant player in innerwear segment with strong financials
- ❖ Its exclusive contract with JOCKEY and SPEEDO puts it in an unsurmountable position
- ❖ Sector trends are in favor of Page and it is expected to only grow from hereon
- ❖ Hence we recommend a **BUY** rating for Page

India	
Clothing and Fabrics	
<b>Recommendation</b>	<b>BUY</b>
<b>Target Price</b>	<b>17446</b>
<b>1 M Avg Price</b>	<b>15858</b>
<b>Trading data and key metrics</b>	
52-wk range	Rs 9,770.25 – Rs 17,351.15
Market Cap.	Rs 18,297.87
Shares o/s	11.1 m
Free float	51%
Common s/h equity	Rs 111.5 m
P/BV	26.85x
EV/EBITDA	35.55
<b>EPS diluted (Rs)</b>	<b>Rs 208.59</b>



# INDIAN ECONOMIC OUTLOOK

- India is the fastest growing economy
- Strong and stable currency
  - Corrected by about 5%
  - \$330bn foreign exchange reserves
- Falling oil and commodity prices
  - Oil accounts for 35% of India's imports
- Lower fiscal deficit
  - Government committed to reduce fiscal deficit to 3% over the next 2 years
- Lower inflation rates
  - Will reduce repo rates and boost credit in the economy

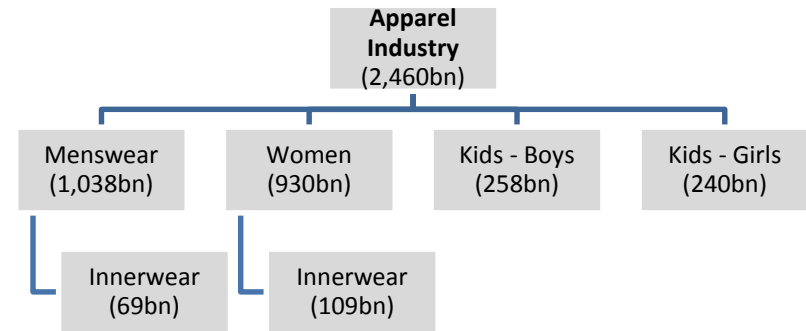


***A fast growing economy with low inflation rates along with falling oil prices towards strong economic growth in India, making it an attractive investment opportunity for global investors***

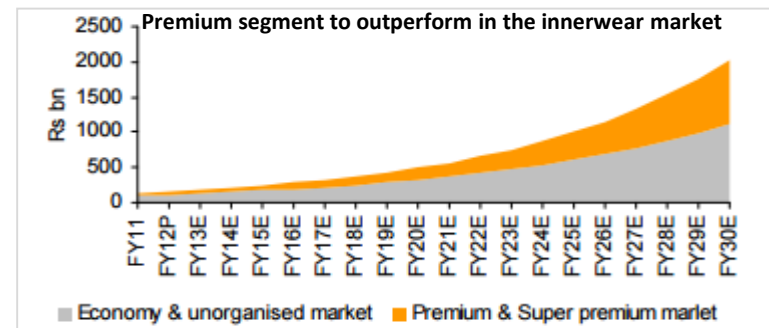


# INDIAN APPAREL INDUSTRY

- Innerwear segment makes 8% of the overall apparel Industry
- Expected to grow at **13% CAGR** from 2015-23
  - Increase in disposable income
  - Shift towards premium products
  - Shift towards organized sector (52%) from unorganized sector (48%)
  - Higher proportion of working women
  - Growth in branded innerwear
- Continued thrust from government policies
  - Textile Parks to promote infrastructure development
  - Trade agreements with Australia, Africa and European Union possible



All figures in INR



**Innerwear segment is a fast growing industry with high margins and lot of unrealized potential which is getting continued support from the government**



# COMPANY OVERVIEW

- Major player in innerwear market in India
- Listed on NSE (National Stock Exchange)
- **Exclusive license** with **Jockey** brand in India, Sri Lanka, Nepal, UAE
- **Exclusive license** of **Speedo** International brand
- **Market leader** in mid and premium segment
- **35% sales CAGR** over the past 5 years
- Headquartered: Bangalore, India

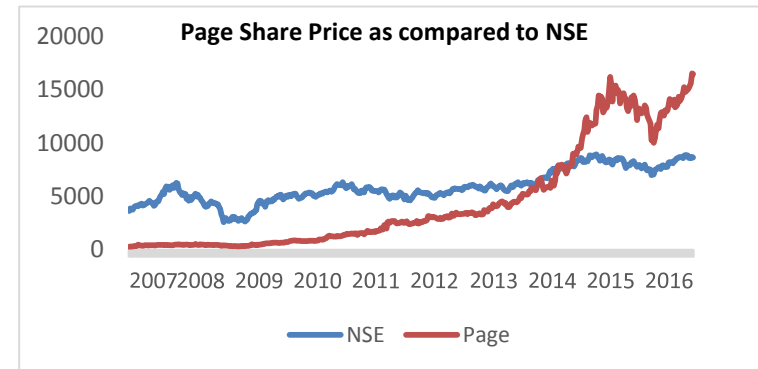
## Key Financials

	2012	2013	2014	2015	2016
Total Revenue	7017	8842	11941	15516	17896
Ebitda	1479	1809	2564	3211	3786
Ebitda Margin	21.1%	20.5%	21.5%	20.7%	21.2%
Net Income	924	1152	1546	1970	2335
Net Income Margin	13%	13%	13%	13%	13%
EPS diluted	80.68	100.89	137.87	175.75	208.59
Dividend per share	42.31	35.14	20	25	17.33
ROCE	63.11%	57.61%	56.54%	59.47%	62.13%

All figures in INR Million

## MANAGEMENT TEAM

- Mr. Sunder Genomal, Managing Director
  - Best (CEO Textiles) Award 2015
  - 30 years of textile industry experience
- Mr. Pius Thomas, Executive Director Finance
  - Been with page for more than 20 years
  - 3 decades experience in finance, accounts, taxation
- Shelagh Margaret, Head Product Development
  - 20 years experience in designing and development
  - Headed product development in various companies



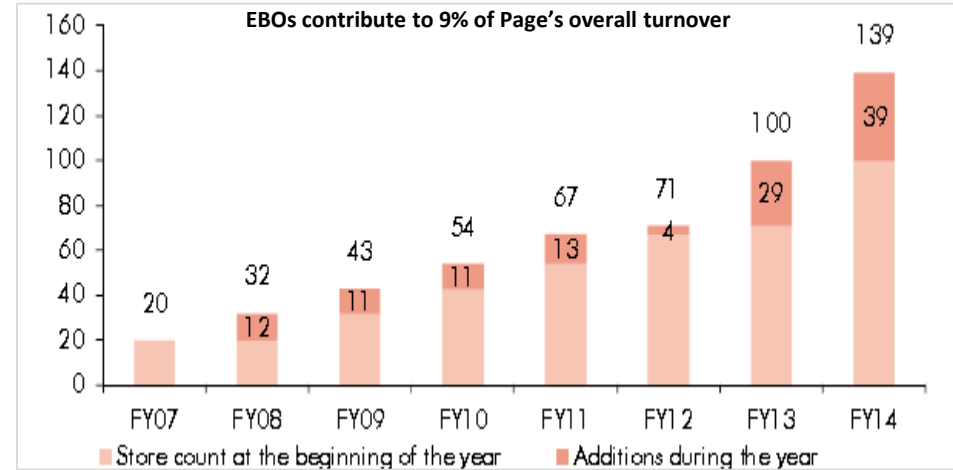
All figures in INR

**Page Industries has become a juggernaut in the innerwear segment with exclusive contracts from JOCKEY and SPEEDO along with a strong management team**



# ECONOMIC MOATS

- Aggressive Distribution
  - *Wide variety of SKUs*
  - *More than 450 distributors, 44000 retail outlets*
- Backward Integration
  - *Recruitment and training centers*
  - *Sourcing raw material at low prices*
  - *In-house elastic manufacturing*
- Aspirational Brand Recall
  - *International perception through Caucasian Models*
- Product R&D
  - *Focus on local preferences and introducing new styles*



**Wide distribution network, strong brand, control on product development and sourcing raw material provide Page with a long term sustainable competitive advantage**

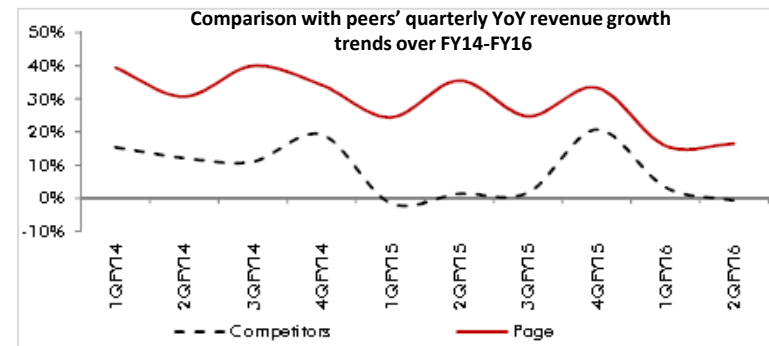


# COMPETITOR ANALYSIS

- Page has the highest Earnings and Book Value multiples
  - Dominant player in mid-premium innerwear segment with *~ 50% market share*
  - Highest margins from efficiencies across the value chain
- Page commands the highest ROE
  - Due to high PAT Margin, Asset Turnover and Leverage Ratio
- Historically delivered strong growth results as compared to peers
  - Constant product innovation
  - Entry into new segments like kids wear, sports wear
  - Exclusive contract with Speedo for Swimwear

	Market			
	Cap	P/E	P/B	ROA
Page	182.6B	78.52	26.75	26.32
Rupa	22.5B	34.2	5.92	9.26
Lovable	4.9B	21.21	1.87	10.11
Maxwell	4.2B	NA	3.11	-3.99

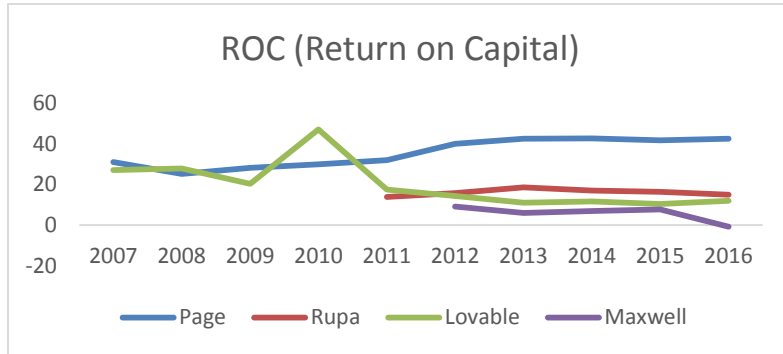
	PAT	Asset	Leverage	ROE
	Margin	Turnover	Ratio	
Page	13%	2.02	1.98	52%
Rupa	6%	1.43	2.05	19%
Lovable	12%	0.86	1.17	12%
Maxwell	-5%	0.77	2.64	-10%



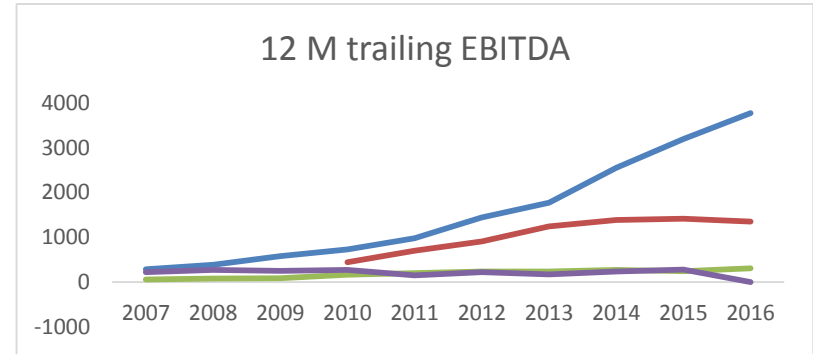
**Page outnumbers its peers in all financial metrics. It has the highest margins and earnings multiples and has delivered strong growth results over the years**



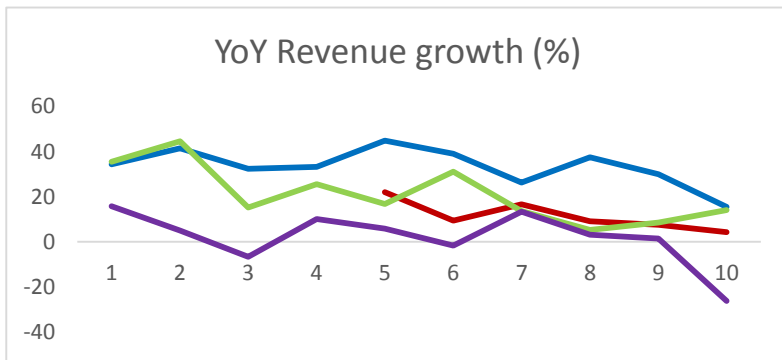
# PAGE HIGH P/E ANALYSIS



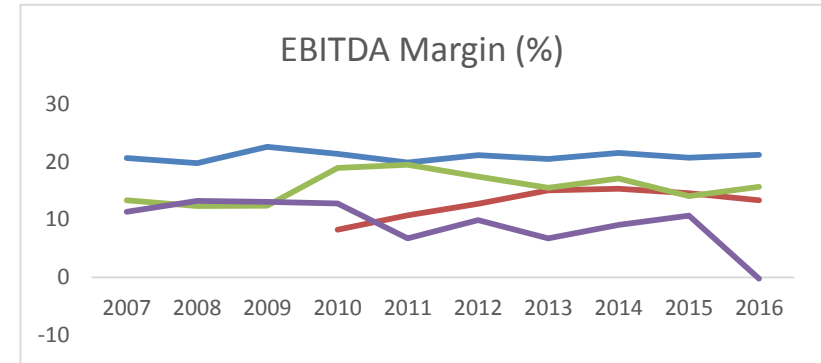
*Page has consistently had a higher ROC than peers and it is also increasing over the years*



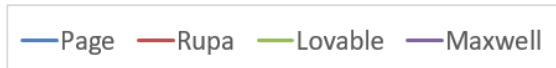
*Page's EBITDA has increased at a much faster rate than its competitors*



*Page revenue has grown in the 20%-40% band over the past 10 years*



*Page has been able to maintain a 20% EBITDA margin over the years*



***Consistent performance and best in class products makes Page the most dominant player in the innerwear market***





# VALUATION MODEL-DCF

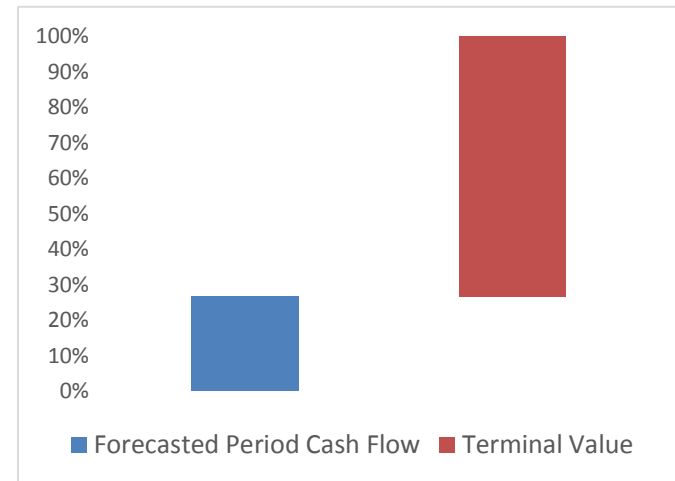
- Page is currently in a high growth phase and is highly cash generative with CFO/EBIDTA ratio of ~74% over the past 10 years
- Hence we have built a **three stage DCF model**:
  - High growth period: 5 years
  - Fade Period: 9 years
  - Stable growth Period: thereafter

Terminal Growth Rate	6.00%
Risk Free Rate	7.47%
Beta	0.56
Risk Premium	4.6%
WACC	10.05%
<b>Target Price</b>	<b>17,603</b>
CMP	15858

	High growth Period	Fade Period	Stable growth period
Revenue growth	22%	15%-18%	6%
EBITDA margin	21.50%	20.5%-21%	21%
Capex/ Revenue	3%	2.4%-2.8%	2%
D&A/Revenue	1.40%	1.40%	1.40%
NWC/Revenue	22%	15%-19%	15%

	WACC	Growth rates				
		5%	5.50%	6%	6.50%	7.00%
9.50%	17189	18798	20866	23624	27485	
9.75%	16091	17485	19251	21560	24709	
10.05%	14937	16124	17603	19500	22019	
10.25%	14221	15287	16604	18272	20454	
10.50%	13418	14358	15507	16942	18789	

Sensitivity Analysis

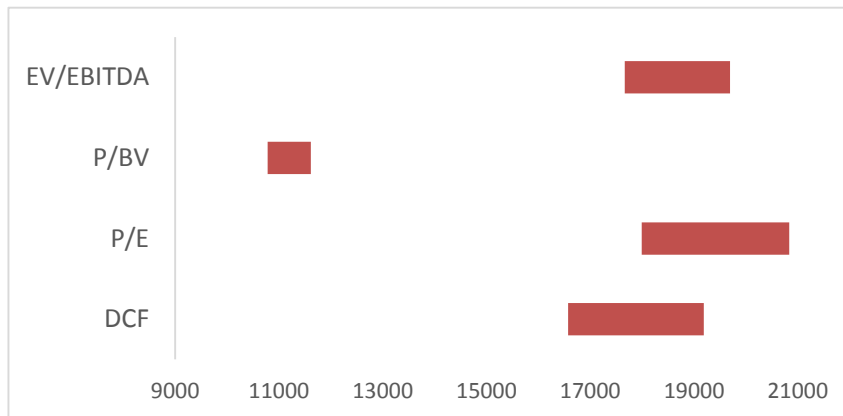


**Our three stage DCF model at 6% growth and 10.05% WACC gave a target price of 17,603**



# RELATIVE VALUATION

- Relative valuation has been done on 3 major parameters:
  - P/E Multiple
  - P/BV Multiple
  - EV/EBITDA Multiple
- Historical weighted average of these multiples has been considered



Relative Valuation Numbers	
Forecast Avg. P/E FY 2017	69
EPS FY 2017	274.49
Forecast Price (based on P/E)	18,995
Forecast Avg. P/BV FY 2017	18.4
Book Value per Share FY 2017	604
Forecast Price (based on P/BV)	11,111
Forecast EV/EBITDA FY 2017	43.88
EBITDA per Share FY 2017	419.43
Forecast Enterprise Value (mn)	205,253
Forecast Price (based on EV/EBITDA)	18,345

Weighted average forecast market price		
Method	Weights	Price
DCF	0.5	8,802
P/E	0.3	5,699
P/BV	0.1	1,111
EV/EBITDA	0.1	1,835
<b>TOTAL</b>		<b>17,446</b>
<b>Upside Potential</b>		<b>10%</b>

**Recommendation: BUY**

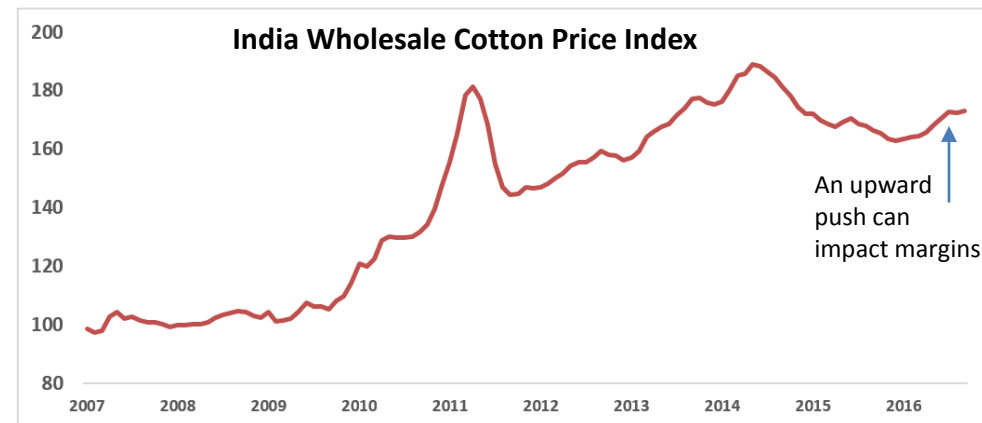
All figures in INR

***We recommend a BUY for Page due to strong earnings and book value multiples and hence a 10% upside potential based on our valuation model***



# INVESTMENT RISKS

- Rising Competition from MNCs
  - *Low entry barriers and high margins make it an attractive sector*
- Impact of GST
  - *From increased taxes of 12% on cotton yarn industry as proposed by the GST Committee*
- Increase in cotton prices
  - *May affect EBITDA Margins*
- Slowdown in consumer sentiment
  - *Will impact revenues*



***Uncertainty regarding raw material prices and high attractiveness of the sector for entrants pose key major risks***



**THANK YOU**