

## Inner-wear industry– Robust Q3FY18 Performance:

The financial performance of all the organized inner-wear company posted a good set of the numbers in Q3FY18 after a chaotic rollout of GST and demonetization. The good winter is the trigger for their robust performance which was not seen in the last 2 years.

The Indian textiles industry, currently estimated at around INR6804 billion, is expected to reach INR14495 billion by 2021. The industry is the second largest employer, after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately, 5% to GDP, and 14% to overall IIP. The growth implies domestic sales to rise to INR19845 billion from currently INR4284 billion. At the same time, exports are implied to increase to INR11840 billion from approximately, INR2583 billion currently.

On the cusp of rapid growth per capita inner-wear expenditure expected to double to INR300 which will push the inner-wear market to INR47000 Crore from INR24000 Crore. Out of the organized inner-wear market, listed players Page, Dollar, Lux, Rupa, and VIP hold only 22% that is INR5367.3 Crore which means 78% untapped market is still open for them. Due to demonetization and GST, lots of unorganized players suffered a lot and they need to ramp up their infrastructure to comply with the new indirect tax system. This is the sweet spot where every organized player will get benefited.

We are expecting a strong growth in the industry in the near term. We have already released a report on Dollar Industries on 4th January 2018 with a “Strong Buy” recommendation and target price INR656.

Please find below link of the report:

[https://www.smifs.com/files/reports/636542087815590387\\_Dollar%20Industries%20Ltd\\_Stewart%20%20Mackertich%20Research.pdf](https://www.smifs.com/files/reports/636542087815590387_Dollar%20Industries%20Ltd_Stewart%20%20Mackertich%20Research.pdf)

Company	Revenue			EBITDA			EBITDAM (%)			PAT			PATM (%)		
	Q3FY18	Q2FY18	Q3FY17	Q3FY18	Q2FY18	Q3FY17	Q3FY18	Q2FY18	Q3FY17	Q3FY18	Q2FY18	Q3FY17	Q3FY18	Q2FY18	Q3FY17
Dollar Industries	232.73	212.72	165.95	36.76	29.08	16.86	15.80%	13.67%	10.16%	17.99	14.88	6.04	7.73%	7.00%	3.64%
Lux Industries	295.9	223.44	230.93	37.03	28.65	28.18	12.51%	12.82%	12.20%	18.46	13.32	14.07	6.24%	5.96%	6.09%
Rupa & co.	277.22	247.13	205.39	41.32	38.33	33.32	14.91%	15.51%	16.22%	23.84	21.61	17.04	8.60%	8.74%	8.30%

All numbers in Cr.

Source: Company Data, SMIFS Research

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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 12% and 20%
Accumulate	between 6% and 12%
Hold	between 0% and 6%
Sell	0 to <-10%
Neutral	No Rating

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