



A Jockey Store in Suburban Mumbai

Page Industries Limited (CMP - ₹ 25,600) is our preferred pick in the apparel sector given its healthy financial performance and dominance in the innerwear segment along with expansion into the outerwear/athleisure segment.

Jockey Stores: We visited a couple of Jockey stores to gauge how business was faring. One of the stores, which had opened 10 years ago, said that business traction has increased every year since opening. Currently, the store witnessed a footfall of 2,000 customers/month with a conversion rate of 90% and did a monthly turnover of ₹ 25 lakhs (₹ 3 crores/year). The sales targets are increased by 10% every month and based on the targets achieved the store employees get an incentive. They added that their interactions with the company (Page Industries) were smooth and that they were very helpful.

In terms of competition they said that they face no competition as their peers such as Calvin Klein, Lux Industries, Rupa & Company, and so on are either above or below their average selling price and that Jockey provides the highest quality and value for money product compared to peers.

Talking about segment performance, the feedback from the store was that men's was doing better than women's. Within the men's segment the store added that although Jockey is known for innerwear, the outerwear segment was growing faster than innerwear. The kids segment, which Page Industries is focusing on very strongly, is growing but not growing very fast yet. They said that this is because there is still not a lot of awareness amongst consumers that Jockey has a kid's range.

In a span of half an hour that we were at the store the store had five customers out of which three were converted. A Jockey Woman store across the street was also witnessing healthy footfalls in the time we were there.



Products on Display at the Jockey Store



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At another five year old Jockey store, the monthly sales have risen to ₹ 18 lakhs from ₹ 12 lakhs a few years back. All the segments were doing well including the kid's range, they added. In terms of competition, they said that they don't face a lot of it. Since Van Heusen is not a focused innerwear/athleisure brand they will find it difficult to gain traction in this space, they added.



Van Heusen Innerwear/Athleisure on Display at the Van Heusen Store

Van Heusen Store: The feedback from the Van Heusen store was that the previous SKUs which were priced at ₹ 299 were selling better than current SKUs which are priced at ₹ 399 and beyond. They added that current SKUs are not selling very well since the price hike and that customers prefer to buy at Central or Lifestyle as there are more options and price points are lower.

They said that Jockey is a well established brand and that customers prefer Jockey over Van Heusen. In terms of sales, the store had innerwear/athleisure sales of ₹ 4,50,000 for 2019 (750 pieces). When it comes to manufacturing, most of the items that we observed were manufactured outside India (in Sri Lanka) by third party manufacturers.



Van Heusen Athleisure Products on Display at the Van Heusen Store

Central Store: The Store Manager at Central said that Jockey has no competition. For Central, Jockey did sales of ₹ 1 crore/year whereas US Polo did sales of ₹ 25 lakhs/year. They added that this is the trend across all Central stores and that Jockey has a more than 50% market share in innerwear and athleisure. In terms of segments, athleisure is picking up and doing very well for Jockey they said

Although in the women's segment they have more competition (Enamor and Triumph), they are very strong in certain categories such as women's sportswear. They added that their price points are very sharp and affordable in ladies innerwear which no other brand has and that their product packs are very affordable and offer more value for money which other peers find challenging to match. Jockey's policy of not giving discounts has been maintained they said.

The Store Manager opined that Van Heusen innerwear caters to only their captive audience, i.e., customers who come for formal clothes happen to buy some of their innerwear products and since they have a wide range (formal shirts/trousers/jackets/suits) they will find it challenging to focus heavily on innerwear.



Jockey Products on Display at the Lifestyle Store

Lifestyle Store: The store said that Jockey was the most sold innerwear. Jockey had yearly sales of ₹ 6,50,000 whereas Calvin Klein did business of ₹ 2,50,000 and US Polo/Van Heusen/Fame Forever (in-house brand)/Chromozome averaged ₹ 1,50,000.

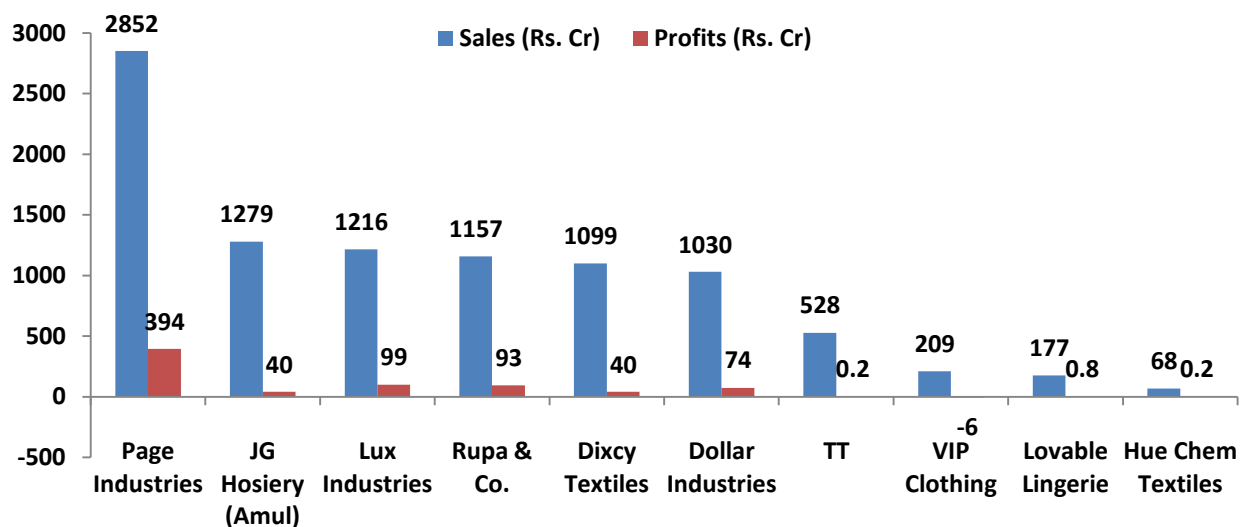
On Jockey Kids, they said that it was doing well but there were some stock issues as there was not enough stock. Sales will pick up as soon as there is ample stock, they added. Jockey's products sell even without a discount they said and added that customers look for discounts on other products and buy them only if there are discounts but with Jockey that is not the case. They added that if you keep two brands side by side, Jockey is the one which will sell. The kids range had sales of ₹ 5,50,000/year whereas other brands such as United Colors of Benetton/Bossini/Fame Forever average ₹ 3,50,000.

Marks & Spencer Store: Marks & Spencer is pretty strong in innerwear. Innerwear contributed 36% of the sales for the store we visited. The Store Manager said that even though he has M&S innerwear he uses Jockey himself as Jockey is more comfortable. The store had sales of ₹ 40,000/day (₹ 1.5 crore/year) for the innerwear segment. He stated that Jockey is a strong brand and has established itself over the years in terms of quality, affordability, and brand recall and hence faces very little competition. In terms of manufacturing, most of the M&S products we observed were imported from Bangladesh.

View

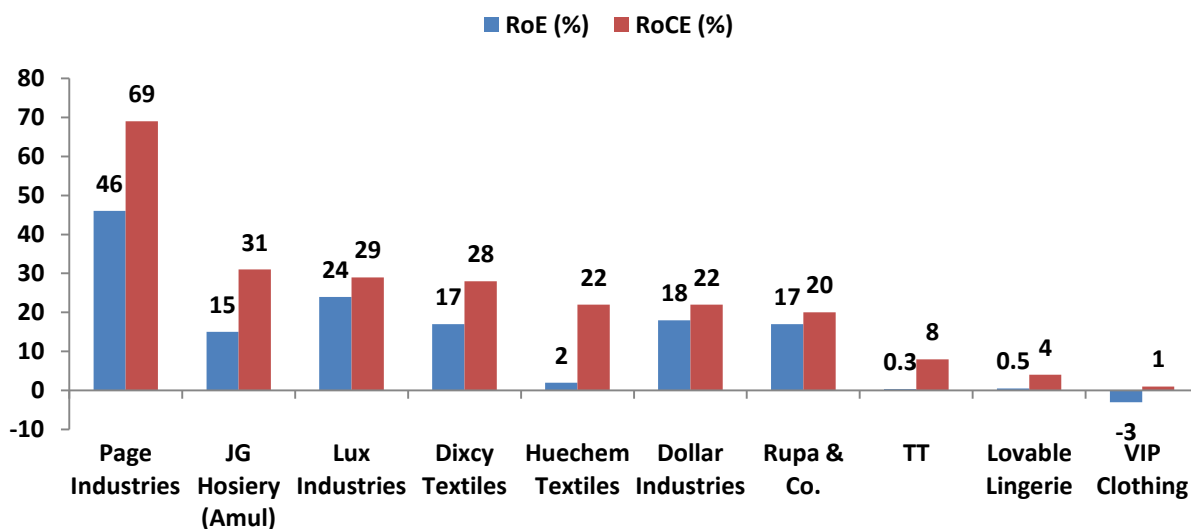
Given the healthy feedback we've received from the Jockey stores along with positive feedback from the MBO stores, we can see that sales traction for Jockey is healthy and it has maintained its market leadership. Jockey's products are utilitarian and not exposed to the vagaries of fashion as is the case with other apparel categories.

Exhibit 1: Sales and Profits for Major Indian Innerwear Players (FY 2019)



Source: Mangal Keshav Securities, Ministry of Corporate Affairs

Exhibit 2: Profitability Ratios for Major Indian Innerwear Players (FY 2019)



Source: Mangal Keshav Securities, Ministry of Corporate Affairs

Given Page’s market leadership and healthy financial performance, we see its net worth growing by 15% CAGR over the coming two years and recommend a buy with a price target of ₹ 34,000.

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