October 23, 2020

Page Industries Limited: Update on Material Event

Summary of rating action

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Long-term fund-based facilities	369.83	[ICRA]AA(Stable)
Short-term non-fund based facilities	80.0	[ICRA]A1+
Long-term/ Short-term unallocated bank facilities	11.40	[ICRA]AA(Stable)/[ICRA]A1+
Total Bank Facilities	**461.23**	

Material Event

Recently, on October 14, 2020, there were a few news articles on the initiation of a probe by the US-based apparel accreditation body, Worldwide Responsible Accredited Production (WRAP) regarding allegations of possible human rights violations at one of the units of Page Industries Limited (PIL) in Bengaluru (Karnataka). The said probe was reportedly triggered by an earlier news report (published in early September 2020) regarding the exclusion of Page Industries Limited by a Norwegian Wealth Fund (Government Pension Fund Global or GPFG) from its investment portfolio. The exclusion by GPFG was based on reports by its Council of Ethics citing human rights violations at one of PIL's manufacturing units. Subsequently, in its response dated September 23, 2020, published on its website, PIL clarified that it had already responded to the Council of Ethics for GPFG in relation to the unsubstantiated allegations made in their report dated August 31, 2020. In its response, the company also mentioned that all its units were audited on a bi-annual basis by WRAP. The WRAP certification is recognised by major global brands, including Jockey International Inc. (JII or Jockey) and Speedo. PIL is the exclusive licensee of JII for the manufacturing and distribution of the Jockey brand of innerwear and leisurewear in India, the UAE, Sri Lanka, Republic of Maldives, Bangladesh and Nepal. PIL is also the exclusive licensee of Speedo International Ltd. for the manufacturing, marketing and distribution of the Speedo brand in India.

Impact of the Material Event

ICRA has noted the above-mentioned reports. The ratings remain unchanged at the earlier level of [ICRA]AA(Stable)/[ICRA]A1+, and continue to factor PIL's established association with JII for more than two decades, since the commencement of its operations in 1994. ICRA notes that the probe initiated by WRAP was triggered by the reports from the Norwegian Bank's Council of Ethics, which were based on its internal assessment and were not an outcome of any adverse findings by WRAP.

Based on clarifications from the company, ICRA notes that all its units are WRAP certified, involving regular annual/bi-annual audits. Inspections by WRAP are currently being carried out, as required in the normal course of business. Further, the concerns raised pertain to one of the company's units (out of a total of 17 units), where manufacturing operations have been gradually phased out and mainly warehousing operations have been carried out over the past one year. The company has also denied the allegations, and is engaging with the Council of Ethics for the possible course of action for remediation. However, ICRA notes the sensitivity of the matter with respect to the business outlook of PIL, owing to its high dependence on the Jockey brand, as PIL's contract with JII recognises and mandates the WRAP certification. Accordingly, ICRA will continue to monitor the developments in this regard. Negative pressure on PIL's ratings could arise, in case of any adverse outcome of the ongoing probe, the company's inability to remedy the observations, if any, or if any action is taken by JII that hampers PIL's business prospects.

The previous detailed rating rationale is available on the following link: Click here

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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