

Dollar Industries Ltd

Refer to important disclosures at the end of this report

Looking to tap the premium market

We hosted Ms Shashi Agarwal, CFO, and Mr Ankit Gupta, VP of Dollar Industries in our India conference to share company/industry insights.

Key Meeting Takeaways:

- Dollar Industries (Dollar) is a leading hosiery/apparel company primarily positioned in the mid premium segment. Brand positioning, backward integration, improved product mix and expansion of distribution network have boosted growth and profitability.
- Big Boss, the company's chief innerwear brand contributes 44% of sales, while brands such as Missy (6%), Ultra (6%), Champion (2%) and Force (8%) are yet to reach a double digit revenue contribution. All the brands (ex-Missy) mainly cater to the men's wear category.
- The company has been focusing on premiumisation with the premium category (12% growth) outpacing the economy segment (4% growth). Dollar launched Force Nxt, a premium men's wear brand in FY16.
- The company has a large presence in the North, with the region contributing c.44% of sales. East and West regions contribute 24% and 23% respectively. The company has increased the number of distributors from 700 to 900 in the past two years.
- The company prefers to remain asset light and only manufactures 30%-40% of total inventory in-house. Any further capacities, especially in the economy segment would largely be outsourced.
- GST will not only help accelerate the shift from unorganized to organized retail, but also provide the company with input credits. Dollar expects a benefit of c.150bps to the EBITDA margins.
- The company's working capital has been stretched due to an increase in inventory and debtor days (85 days and 84 days respectively). While inventory days have increased due to the introduction of new brands, the company is confident of improving the debtor days in the coming quarters.
- Big Boss is the largest beneficiary of advertising spends done by the company (c.60% of the spends). Given the strength of the brand, Dollar plans to contain the advertising spends at current levels, which will provide a fillip to operating margins.
- The company has announced a JV with Pepe jeans for the manufacturing and marketing of innerwear, loungewear, gym wear, sleepwear and tracksuits targeting the super-premium segment.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Revenue	5795	6889	7241	8217	8973
EBITDA	429	426	559	666	935
EBITDA Margin (%)	7.4	6.2	7.7	8.1	10.4
APAT	105	137	194	263	435
EPS (Rs)	9.5	12.5	17.7	23.9	39.5
EPS (% chg)	19.0	31.1	41.7	35.5	65.1
ROE (%)	12.5	14.5	17.5	19.8	26.6
P/E (x)	237.7	181.3	127.9	94.4	57.2
EV/EBITDA (x)	55.3	55.7	43.0	36.9	26.1
P/BV (x)	28.1	24.6	20.6	17.1	13.7

Source: Company, Emkay Research

CMP	Target Price
Rs2059 as of (August 22, 2017)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS ChgFY18E/FY19E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY17E	FY18E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	DOLLAR IN
Face Value (Rs)	10
Shares outstanding (mn)	11.0
52 Week H/L	2470/1314
M Cap (Rs bn/USD bn)	22/0.3
Daily Avg Volume (nos.)	16,723
Daily Avg Turnover (US\$ mn)	0.5

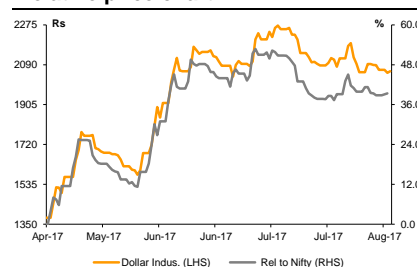
Shareholding Pattern Jun '16

Promoters	54.9%
FIIIs	3.1%
DIIIs	6.6%
Public and Others	35.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-4	29	0	0
Rel. to Nifty	-2	26	0	0

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	5795	6889	7241	8217	8973
Expenditure	5403	6341	6738	8203	7924
EBITDA	429	426	559	666	935
Depreciation	100	89	114	137	148
EBIT	329	338	446	528	787
Other Income	31	34	65	83	86
Interest expenses	194	166	202	202	206
PBT	166	206	308	409	667
Tax	54	69	113	146	233
Extraordinary Items	7	0	0	0	0
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	112	137	195	264	435
Adjusted PAT	105	137	194	263	435

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	78	78	78	78	108
Reserves & surplus	808	934	1126	1377	1701
Net worth	886	1012	1204	1455	1809
Minority Interest	0	0	0	0	0
Loan Funds	1577	1512	1806	2330	2163
Net deferred tax liability	-48	-29	-45	-41	-24
Total Liabilities	2545	2602	3049	3844	4065
Net block	558	756	854	837	748
Investment	0	0	0	0	3
Current Assets	2749	2670	3322	4268	4545
Cash & bank balance	202	100	91	104	97
Other Current Assets	2547	2570	3231	4164	4448
Current liabilities & Provision	785	840	1122	1286	1230
Net current assets	1965	1831	2200	2981	3315
Misc. exp	0	0	0	0	0
Total Assets	2545	2602	3049	3844	4065

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	77	202	100	91	104
Net Cash from Operations	300	441	30	76	265
Net Cash Used in Investing	-88	-282	-211	-120	-56
Net Cash Used in Financing	-53	-260	171	57	-215
Net Inc/(Dec) in Cash	160	-101	-10	13	-7
Closing Cash	202	100	91	104	97

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	7.4	6.2	7.7	8.1	10.4
EBIT Margin	5.7	4.9	6.2	6.4	8.8
Effective Tax Rate	32.6	33.4	36.8	35.6	34.9
Net Margin	1.8	2.0	2.7	3.2	4.8
ROCE	13.7	13.1	15.8	15.3	19.9
ROE	12.5	14.5	17.5	19.8	26.6
RoIC	14.2	13.4	16.0	15.6	20.1

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	9.5	12.5	17.7	23.9	39.5
CEPS	18.6	20.5	28.0	36.4	53.0
BVPS	80.5	92.0	109.4	132.3	164.5
DPS	1.2	1.5	0.0	1.5	5.0

Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	237.7	181.3	127.9	94.4	57.2
P/CEPS	121.3	110.2	80.7	62.1	42.7
P/BV	28.1	24.6	20.6	17.1	13.7
EV / Sales	4.1	3.4	3.3	3.0	2.7
EV / EBITDA	55.3	55.7	43.0	36.9	26.1
Dividend Yield (%)	0.1	0.1	0.0	0.1	0.2

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	1.6	1.4	1.4	1.5	1.1
Net Debt/EBIDTA	3.2	3.3	3.1	3.3	2.2
Working Cap Cycle (days)	111.0	91.7	106.3	127.8	130.9

Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	27.8	18.9	5.1	13.5	9.2
EBITDA	26.8	-0.6	31.2	19.0	40.4
EBIT	32.9	2.9	31.9	18.6	49.0
PAT	19.0	31.1	41.7	35.5	65.1

Quarterly (Rs mn)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Revenue	2,367	2,069	1,649	2,775	2,394
EBITDA	178	247	158	375	258
EBITDA Margin (%)	7.5	11.9	9.6	13.5	10.8
PAT	82	114	61	184	125
EPS (Rs)	7.5	10.4	5.5	16.7	11.4

Shareholding Pattern (%)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoters					54.9
FII's					3.1
DII's					6.6
Public and Others					35.5

Source: Capitaline