

CMP (INR) (As on 26th Nov 2018)	310
Target (INR)	379
Upside(%)	22
Recommendation	Strong Buy

BSE Code	541403
NSE Code	DOLLAR
Reuters Ticker	DOLLau.NS
Bloomberg Ticker	DOLLAR IS

Stock Scan

Market cap (INR Cr.)	1749
Outstanding Shares (Cr.)	5.67
Face Value (INR)	2
Dividend Yield(%)	0.52
P/E (x)	25
Industry P/E (x)	25.54
Debt/Equity	0.13
Beta vs. Sensex	0.1
52 Week High/ Low (INR)	515/253
Avg. Daily Vol. (NSE)/1 yr.	37600

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	57.02	56.84	56.85
Institutions	8.45	8.94	9.98
Non-institutions	34.53	34.21	33.18

Stock vs. Nifty (Relative Returns)


Research Analyst

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Source: NSE

Company Overview

Dollar Industries Ltd. (DIL) Established in 1972 by Dindayal Gupta as a proprietorship, the company was incorporated in 2005 as Bhawani Textiles, and then renamed as Dollar Industries in 2008. It began its journey with its signature brand “Dollar” in men's vests and briefs. Now, it has a wide range of men's, women's and kids' innerwear. It has been given the status of an “export house” by the government of India. From just being a men's innerwear company, it has made a foray into women's innerwear and outerwear, kids' innerwear and other categories such as thermals.

Key Highlights

- ⇒ Net revenue up by 24.1% YoY & down by 0.3% QoQ to INR242.8 crore.
- ⇒ Gross profit grew by 40% YoY & 3% QoQ to INR147.39 crore. Gross profit margin expanded by 685 bps YoY to 60.72% due to better inventory management.
- ⇒ EBITDA grew by 24.5 % YoY & 27.4% QoQ to INR36.2 crore. EBITDA margin expanded by 4 bps YoY & 330 bps QoQ to 14.9% led by lower other expenses as compared to last quarter.
- ⇒ PAT grew by 31.3% YoY & 41.4% QoQ to INR19.5 crore. PAT margin expanded by 43 bps YoY to 8.03%.
- ⇒ The Company has beaten our estimates in all fronts.
- ⇒ The company has made some improvements in terms of the working capital cycle is concerned. The debtors as on September 30, 2018 stood at INR267.97 Cr, which is approximately 100 days as compared to 106 days as on June 30, 2018.
- ⇒ Brand wise revenue contribution like Bigboss stands at 44%, Champion at 0.50%, Force Go Wear 6%, Force NXT 3%, Missy 8%, Economy range of products stands at 36.5%, Thermal at 2%.

Exhibit 1: Financial Performance at a glance

Particulars (INR Cr.)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	906	985	1,102	1,224	1,396
Growth(%)	9.2%	8.7%	11.9%	11.0%	14.0%
EBITDA	102	126	141	165	199
EBITDA Margin (%)	11.3%	12.8%	12.9%	13.6%	14.4%
Adjusted PAT	44	64	71	81	94
Net Profit Margin (%)	4.8%	6.5%	6.5%	6.6%	6.7%
EPS	7.68	11.29	13.30	15.18	17.67
BVPS	31.91	62.14	73.84	87.42	103.49
P / E (x)	41.0	27.9	23.7	20.8	17.8
P / BV (x)	11.9	6.1	5.1	4.3	3.7
ROE (%)	26.7%	24.0%	18.5%	17.7%	17.3%
ROCE (%)	24.4%	23.3%	17.6%	16.6%	15.7%
EV / EBITDA (x)	18.9	13.3	12.0	9.6	7.8

Source: Company Data, SMIFS Research

Exhibit 2: Q2FY19 Result Analysis:

Particulars (in INR Cr.)	Quarter Ended					Half Year Ended		
	Q2FY19	Q2FY18	YoY %	Q1FY19	QoQ %	H1FY19	H1FY18	HoH %
Net sales	242.8	195.6	24.1%	243.7	-0.4%	486.4	430.7	12.9%
Other income	0.2	1.0	-75.0%	0.2	50.0%	0.4	1.1	-63.0%
Total Income	243.0	196.6	23.6%	243.8	-0.3%	486.8	431.8	12.8%
Cost of materials consumed	109.3	103.9	5.2%	141.0	-22.5%	250.3	226.0	10.8%
(Increase)/decrease in Inventories, SIT	-13.9	-13.7	-1.8%	-40.6	65.7%	-54.5	-25.2	-116.4%
Employee benefit expense	8.5	6.4	31.2%	7.5	13.3%	15.9	11.7	36.2%
Other Expenses	45.2	36.9	22.6%	56.4	-19.8%	101.7	82.6	23.1%
Total Expenses	212.8	174.1	22.3%	221.4	-3.9%	434.3	390.9	11.1%
EBITDA (Ex OI)	36.2	29.1	24.5%	28.4	27.4%	64.9	54.9	18.3%
Gross Profit	147.39	105.36	39.9%	143.20	2.9%	290.58	229.83	26.4%
Gross Profit Margin (%)	60.7%	53.9%	680 bps	58.8%	190 bps	59.7%	53.4%	630 bps
EBITDA margin (%)	14.9%	14.9%	4 bps	11.7%	320 bps	13.3%	12.7%	60 bps
Depreciation & amortization	2.7	3.0	-7.8%	2.6	5.4%	5.3	5.9	-9.8%
EBIT	33.7	27.1	24.5%	25.8	30.6%	60.0	50.0	19.9%
EBIT Margin (%)	13.9%	13.8%	10 bps	10.6%	330 bps	12.3%	11.6%	70 bps
Interest cost	3.5	4.6	-23.7%	3.4	2.0%	7.0	9.2	-24.4%
Profit before tax	30.2	22.5	34.4%	22.4	34.9%	52.6	40.9	28.7%
PBT margin (%)	12.4%	11.5%	90 bps	9.2%	320 bps	10.8%	9.5%	130 bps
Tax	10.7	7.6	40.3%	8.6	24.4%	19.2	13.5	42.8%
Profit after tax	19.5	14.9	31.4%	13.8	41.6%	33.8	27.4	23.5%
PAT margin (%)	8.0%	7.6%	40 bps	5.7%	230 bps	6.9%	6.4%	50 bps
EPS(INR)	3.44	2.74	25.5%	2.43	41.6%	5.88	5.05	16.4%

Source: Company Data & SMIFS Research

Con-Call Highlights:

The mgmt has guided for 13.5-14% EBITDA margin in this year and 15% EBITDA margin for the next two year with 15% CAGR growth in topline for the next five years.

Mgmt. has increased their winter stock as compare to last year with an expectation of a good winter which will help them to post robust Q3 numbers.

To promote their 'Force NXT and Missy' the Company is focusing on 'kiosk model' which will be placed in the center of the mall most of the majors, to start with they are going five kiosks from December or January onwards.

- Gross profit margin has been expanded due to ASP hike by 8% from INR49.25 Cr. to INR53.19 Cr., increase in product range & stocking up the raw materials. Co has the ability to pass on the elevated input cost to the consumer.
- The Co has reported 23.6% volume growth YoY to 4.13 Cr. pieces, led by their brands like 'Missy', 'Economy' and 'Bigboss'. The mgmt. is planning to ramp up their 'Missy' and premium brand 'Force NXT' through new kiosk, existing distribution channel & new acquisition.
- The Co has reduced their cash cycle from 170 days to 160 days YoY and they are planning to reduce it further by 5 days more which will help them to reduce their working capital requirement.
- Mgmt. has stated that their Pepe Jeans JV will hit the retail outlet in southern India (like Chennai, Bangalore, etc) by the month of Dec'18. They are planning to showcase this product in 'Central' & Pepe Jeans EBOs later on.
- Exports are slightly down, this quarter exports contributed 7% to their topline as compared to 9% which they usually do on a yearly basis, As per the management healthy contribution is expected from their export in the third and the fourth quarter.
- To promote their 'Force NXT and Missy' the Company is focusing on 'kiosk model' which will be placed in the center of the mall most of the majors, to start with they are going five kiosks from December or January onwards.
- Raw material stocking and increase in ASP helps them to improve their margin.
- The Company has spent INR52 Cr. as A&P expenses out of INR86 Cr for full year.
- The mgmt has guided for 13.5-14% EBITDA margin in this year and 15% EBITDA margin for the next two year with 15% CAGR growth in topline for the next five years.
- Mgmt. has increased their winter stock as compare to last year with an expectation of a good winter which will help them to post robust Q3 numbers.

Outlook & Valuation

Exhibit 3: Quarterly Result Analysis & Estimate

Particular In Cr.	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19E
Total Revenue	232.7	297.6	243.7	242.8	253.5
QoQ Growth(%)	9.4%	27.9%	-18.1%	-0.4%	4.4%
EBITDA	36.8	32.3	36.2	36.2	36.8
EBITDA Margin(%)	15.8%	10.9%	14.8%	14.9%	14.5%
PAT	18.0	18.6	19.5	19.5	19.0
PAT Margin(%)	7.7%	6.3%	8.0%	6.0%	7.5%
EPS(INR)	3.17	3.29	2.43	3.44	3.35

Source: Company Data & SMIFS Research

Valuation & Outlook:

We maintained our target price to **INR379**, assuming sales growth of 12.5% and EBITDA margin at 14.4% over FY19-21.

We believe their premium product will take significant amount of time to catch the market. They need to focus on the marketing and advertisement of the premium products.

The co is expecting a good winter which can improve their bottom-line as winter wear fetch higher margin as compared to economy and mid segment.

Lower margins would be on account of weak demand for premium product assuming the lower P/E(x) multiple.

We have valued the company on the basis of P/E multiple, we assign a multiple of 21x on FY21E EPS INR17.67, to arrive at a price of **INR379**.

Source: SMIFS Research

Link of our pervious reports

Stewart & Mackertich Research_Q1FY19 Result Analysis of DollarIndustries Ltd..

Date: 20th August, 2018

CMP: INR315

Target: INR379

https://www.smifs.com/files/reports/636703848608918100_Dollar%20Industries%20Ltd%20FY19%20Result%20Analysis_Stewart%20%20Mackertich%20Research.pdf

Stewart & Mackertich Research_Q4FY18 Result Analysis of Dollar Industries Ltd..

Date: 5th June, 2018

CMP: INR332

Target: INR522

https://www.smifs.com/files/reports/636638184422335714_Dollar%20Industries%20Ltd%20Q4%20%20FY18%20Result%20Analysis_Stewart%20%20Mackertich%20Research.pdf

Stewart & Mackertich Research Initiating Coverage Report_ Dollar Industries Ltd..

Date: 18th May, 2018

CMP: INR394

Target: INR656

https://www.smifs.com/files/reports/636622633092926326_Stewart%20%20Mackertich%20Research_Initiating%20Coverage%20Report%20On%20Dollar%20Industries%20Ltd.pdf

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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
Stock Recommendation	Expected absolute returns (%) over 12 months

Bloomberg Ticker for Stewart & Mackertich Research: SMIF<Enter>

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