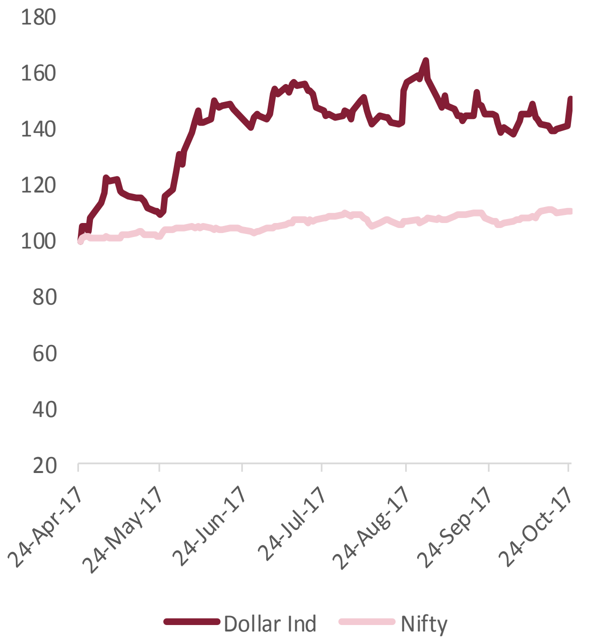
INITIATING COVERAGE

CMP	423	Rating	BUY
Target	539	UPSIDE	28%

STOCK DETAILS	
BSE Code	NA
NSE Code	DOLLAR
Market Cap (Rs bn)	23.6
Sector	Textiles– Readymade Apparels
Year End	March
52 w.High/Low	494/263
Avg. Monthly Turnover (Rs mn)	375.5
Listed on	NSE
Shares in Issue (mn)	54.2
BSE Sensex	33,043
NSE Nifty	10,295



SHAREHOLDING PATTERN		
%	Sep-17	June-17
Promoter	54.9	54.9
FII/DII	9.9	9.7
Others	35.2	35.4

FINANCIALS

Rs in bn	FY16	FY17	FY18E	FY19E
Total Revenue	8.2	9.0	10.2	12.3
EBIDTA	0.7	0.9	1.2	1.6
EBIDTA(%)	*8.0%*	*10.3%*	*11.9%*	*13.3%*
PAT	0.26	0.43	0.66	0.97
EPS (Rs.)	6.8	8.0	12.1	17.9
P/E (x)	62.2x	52.8x	35.0x	23.7x

Source: Company, Indsec Research

Dollar Industries- The Right Fitting!!!!

Dollar Industries Limited was promoted by Dindayal Gupta under the name Bhawani Textiles and now has created substantial presence in India under the Dollar umbrella. The company is present across segments in innerwear space with its brands Big Boss, Force NXT, Missy, Champion, Ultra, Force Go Wear, Footprints etc. Its brands are also exported in over 10 countries which includes UAE, Oman, Jordan, Qatar, Kuwait, Bahrain, Yemen, Iraq, Nepal, and Sudan.

Investment Rationale

Change in consumer dynamics—to drive revenue growth: The new age customers of intimate wear are indulgent and include everyone from 'pocket-money to pension'. These consumers belong to the aspirational class, a segment constantly striving for a better lifestyle and upper class, those who have high disposable incomes and can afford better products & lifestyle. Dollar industries over the years have been one of the highest spenders on advertisement compared to peers. **The company spends ~8%-10% of its revenue on brand promotion activities vis-à-vis its peers who spend close to 4% to 6%. We believe all these efforts have borne fruits with the company establishing itself as a prominent brand. Further in order to capitalize on such heavy spending the company would provide higher incentives to its distributors. Going forward, we believe that such expenditure is expected to grow slower than revenue growth which is also likely to improve margins.**

Product– Mix & Exports—to enable sustainable growth: Dollar Industries has been one of the fastest growing knitwear and innerwear companies. It has evolved from being another regional player to an all-out pan India player with strong brand recall. Over the years Dollar has also evolved from being just a manufacturer of men's wear to Family wear, and has also increased its focus on premium and super-premium segments, and it has and plans to launch new products each season. **In lieu of their strategy to diversify their products, Dollar has also forayed into the women intimate innerwear segment -which is currently ~60% of the overall market and presents a ~Rs. 145bn opportunity– though its brand "Missy". From the International angle, the company has seen their exports grow at a CAGR of ~12% over FY15-17. Further, in August 2017, the company entered into a 50:50 Joint Venture with Pepe Jeans Europe BV for selling and distribution underwear and loungewear, including gym wear, track suits and sleepwear.**

Strong industry dynamic: The Indian innerwear market is currently estimated at Rs. 24,000 crore. The segment has grown at 15% during the period from 2010 to 2015. During this period, the share of intimate wear in the total apparel market increased from 6.4% to 7.1%. The innerwear market is estimated to continue at the same growth rate over the next five years and expected to become a Rs. 47,000 crore market which is nearly 8% of the total estimated apparel market, by the year 2020.

No Significant CAPEX —to boost profitability and Return Ratios: The company does not have any capex plan as it has already done capex by going backward. It has 400 tonnes per month spinning capacity, 300 tonnes per month knitting capacity, 400 tonnes per month Dyeing and bleaching capacity, 1 mn meters per month elastic capacity and 3 lakh pieces per day cutting capacity. With No major capex planned for the coming two years besides normal maintenance capex is likely to help booster return ratios.

Focus on premium products to open new avenue for the company and likely to boost margin profile: The company is now focusing on super premium category with its brand Force NXT (Realization Rs 114/piece) launched in August 2015 and contributed 2% of FY17 sales. It aims to grow this brand focused on aspirational segment to over Rs 1 bn in next 3 years and would go for aggressive advertisement to position it. **We believe company's focus on premium products like Force NXT which command higher realization vis-à-vis its present range is likely to help company boost its margin profile in the coming years. Further, this also helps the company to file the product gap in its portfolio. We expect the company's margin profile to improve almost 330bps over FY17-19 lead by increase in premium products.**

Valuation & view: We expect the Topline to grow at CAGR of ~17% over FY17-FY19E, while EBITDA is expected to grow at CAGR of ~33% with margins expanding by ~330bps over the same period to ~13.3%. At CMP of Rs 423 the stock is trading at 35.0x and 23.7x on expected earnings of Rs 12.10 and Rs 17.87 for FY18E and FY19E. Given the change in preference of consumers towards branded products, we believe Dollar is well position to capture incremental growth. Further, with no major capex and likely capping on add expenses the company's margin and return profile are likely to see improvement. If we compare the company to its peers (ex - Page) the company is expected to post a topline CAGR growth of 17.2% over FY17-19E as against 10% for Rupa and 11% for Lux (consensus estimates) for the same period. Given this we believe the company is likely to trade at similar levels to its peers (table below). We assign a target a multiple of 36x on December 18 earnings of Rs14.98, post which we arrive at a target of Rs 539 an upside of 28% from current levels.

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Table of Contents

About the Company:

- Dollar has built a strong portfolio of brands in the economy and mid-premium segment. After having established brands like Dollar Regular, Big Boss under the 'Dollar' umbrella, It is shifting focus towards premium segment by introducing new brands and entering into newer product categories for diversifying from being a predominantly Men's Innerwear company to a lifestyle brand catering to Men, Women and Kids segments.
- Dollar manufactures more than 350 products across all innerwear segments. The company's manufacturing facilities are located at Kolkata, Tirupur, Delhi and Ludhiana.
- The Company has a fully integrated facility at Tirupur with presence in spinning, knitting, processing, cutting, stitching and packaging and caters to high end products. Approx. 30% of its requirement is met inhouse and balance is through job work which helps it to be asset light.
- Dollar is focusing on widening its reach. The number of distributors has risen from 550 in FY10 to 850 plus in FY17 (of which 80-90% are exclusive distributors). The company has increased the number of multi-brand outlets from 40,000 in FY10 to 80,000 plus in FY17, and intends to increase this further over the next 2 years.

Journey

1972- 73

Started Bhawani Textiles under the leadership of Shri Din Dayal Gupta

2005-06

Roped in Salman Khan as the brand ambassador of the Dollar Club

Received National Award for 'Best Brand' and 'Excellence in Men's Innerwear' from the Clothing Manufacturing Association of India (CMAI)

2007-08

Rebranded as Dollar Industries Limited

Bestowed with National Award for 'Excellence in Men's Innerwear' by the Clothing Manufacturing Association of India

2008-10

Bestowed with National Award for 'Excellence in Men's Innerwear and 'Best Brand' by the Clothing Manufacturing Association of India (CMAI)

Roped in Akshay Kumar as the brand ambassador of Dollar Bigboss

2014-16

Established presence across 26 states of India

Expanded to more than 80,000 MBOs across India

Emerged as the highest selling innerwear brand in the UAE and the Middle East

Carved out a 15% share of the branded hosiery market

2016-17

Entered the MRT and e-commerce platform

Achieved 2% revenues from from Force NXT within one year of launch

Added products to the Brand Missy and Bigboss Dollar range (J Series premium quality)

Location and manufacturing Advantage-

Dollar Industries manufacturing facilities are in Kolkata, Tirupur, Delhi and Ludhiana. These facilities comprise spinning, knitting, processing, bleaching, cutting, stitching packaging and dispatching, assuring complete integration. The Tirupur facility's effluent treatment unit has eliminated liquid discharge. A 5-megawatt wind energy facility in Tamil Nadu provides the energy needed for the Company's spinning mills. The Company is also engaged in responsible outsourcing from units in Kolkata, Tirupur, Delhi and Ludhiana.

Tirupur Edge

Tirupur is a prominent cluster of small and medium manufacturing enterprises engaged in the production of knitted apparel. There are more than 5,000 garment manufacturing and job work units in the Tirupur area, resulting in the easy availability of raw materials, proximity to a major cotton spinning area (Coimbatore), harbor (Tuticorin) and skilled and unskilled labour. Its hosiery hub became the first textile cluster in India to comply with zero-liquid discharge guidelines. The Government of India granted the city the status of 'Town of Export Excellence'.

Source: Company, Industry & Indsec Research

Backward Integration

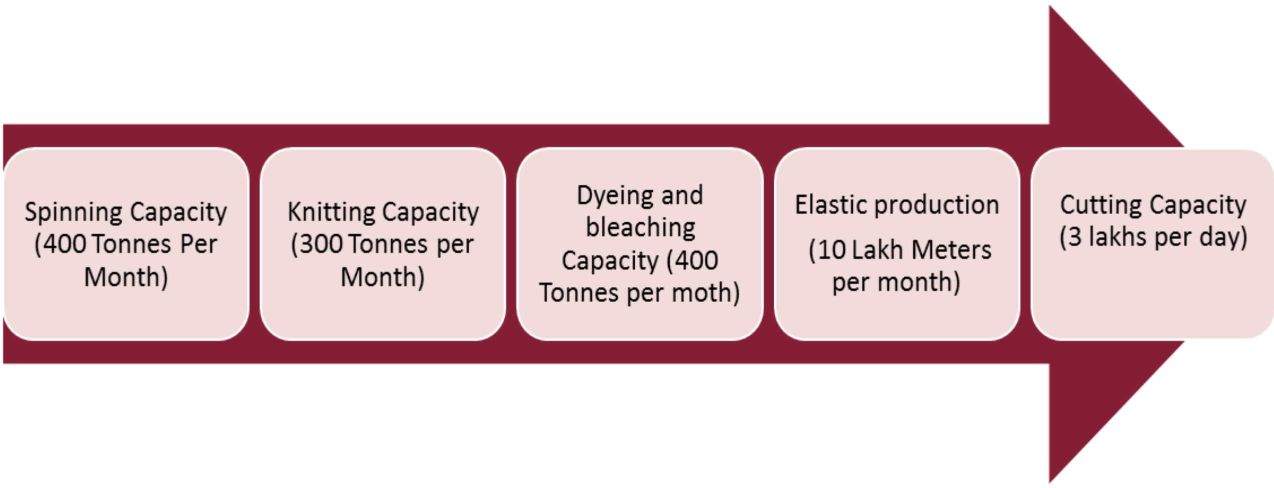
The Company invested in progressive backward integration – from the consumption of raw cotton to final product delivery. The total manufacturing expenses in FY16 was 22% whereas the Company benefited through backward integration achieving other manufacturing expense of 18%. The Company is convinced that the economies-of-scale and centralized supervision would enhance its competitiveness and reduce an overt reliance on job-working. This backward integration – one of few such instances in India's innerwear hosiery sector – will help strengthen margins and profits above the sectoral average/

- **Spinning**- Dollar Industries produces 100%-cotton combed quality yarn in different count ranges. High quality raw material is sourced from India and abroad, with a focus on fine quality long stable fiber (29 millimeters+) with the lowest possible contamination.

- **Knitting** - In addition to in-house spinning, Dollar Industries offers customers better quality within shorter lead times. The knitted fabric range includes a wide variety of fabrics (single jersey, pique and fleece). As a global brand, Dollar honed its expertise in knitting and supplying body-shaping fabrics for innerwear and active wear.

- **Dyeing and bleaching-** Dollar Industries' knits processing division is equipped with the latest automation and lab equipment as well as eco-friendly dyes and chemicals.

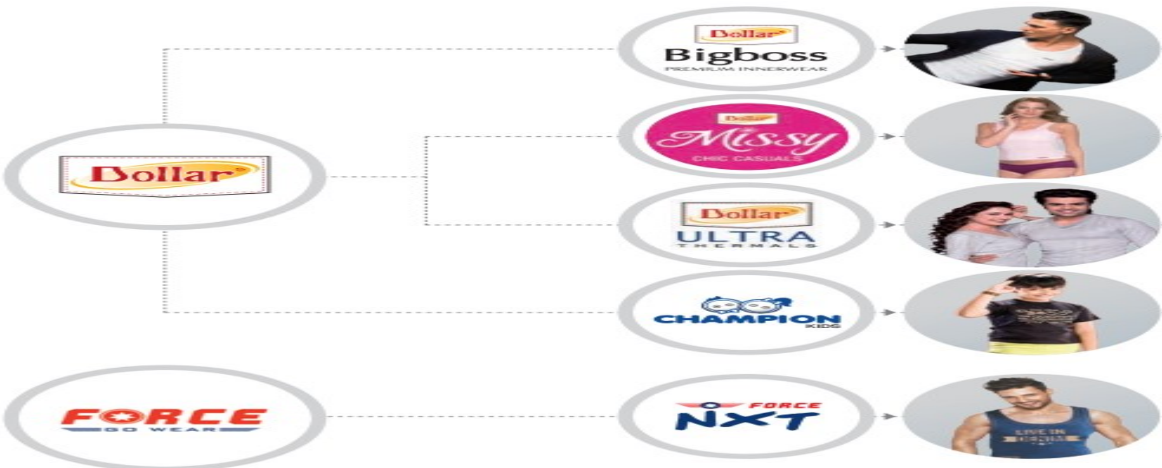
- **Production capacity-** Elastic production capacity of 10 Lakh metres per month. Cutting capacity of 3 Lakh pieces per day.



Brand Profile

Dollar's innerwear caters to the economy, middle and premium segments. The company has innovated and widened its category spread (from just men's innerwear to women's and children's). It intends to cover a large proportion of an aspirational family's innerwear requirement, strengthening its recall as a one-stop lifestyle brand. A focused operator in innerwear, its major products are vests, briefs, thermals, panties, socks, casuals and kids' wear.

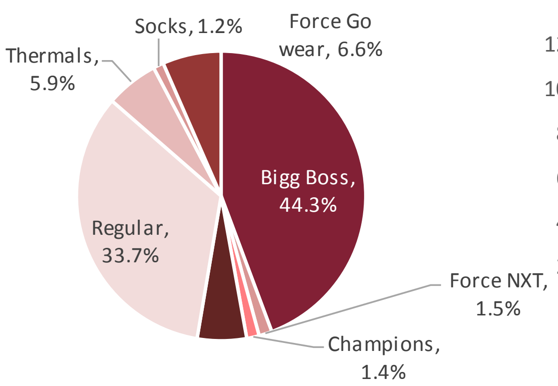
While the economy range contributes 34% to revenue, premium and super premium contribute the balance. The company is targeting the upper class via new brand FORCE NXT (super premium), which is also targeted by other players. The company has launched an array of sub-brands such as Dollar Big Boss Premium Innerwear, Missy, Champion, Force Go Wear and Ultra Thermals. Fitness, quality and contemporariness are Dollar's unique selling points. Moreover, it offers better incentives to distributors to drive sales



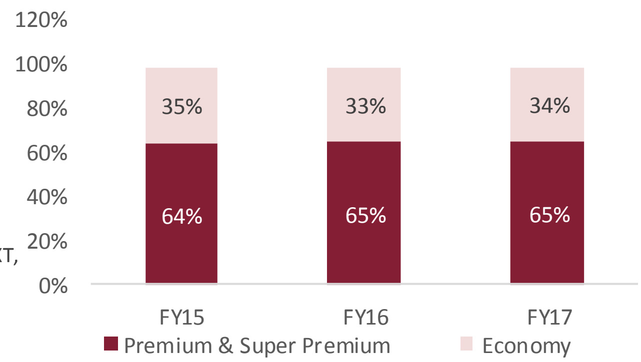
Brand Segmentation

Brand Name	Launch Date	Target	Tag Line	Segment	Revenue %
Dollar Regular	NM	Mass	NA	Economy	33.7%
Bigg Boss	2008	Mass	Fit Hai Boss	Premium	44.3%
Force Go wear	2009	Youth	NA	Premium	6.6%
Champion kids	2010	Kids	NA	Premium	1.4%
Ultra thermals	2010	Family	NA	Premium	5.9%
Missy	2014	Female	Carry on Missy	Premium	5.5%
Force NXT	2015	Youth	Go For NXT	Super Premium	1.5%

Revenue Contribution

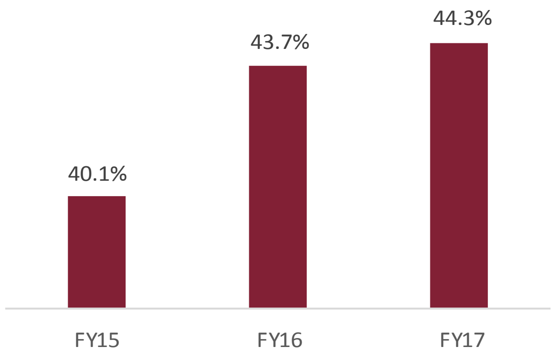


Revenue Contribution

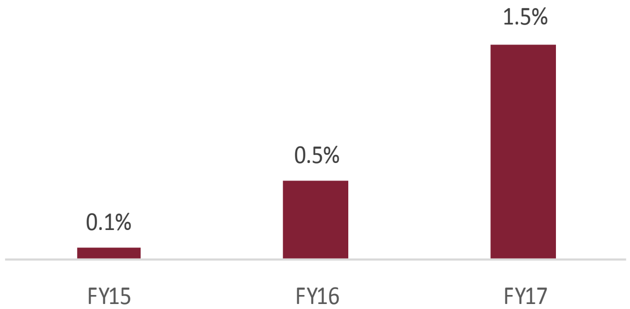


Brand wise Revenue Share

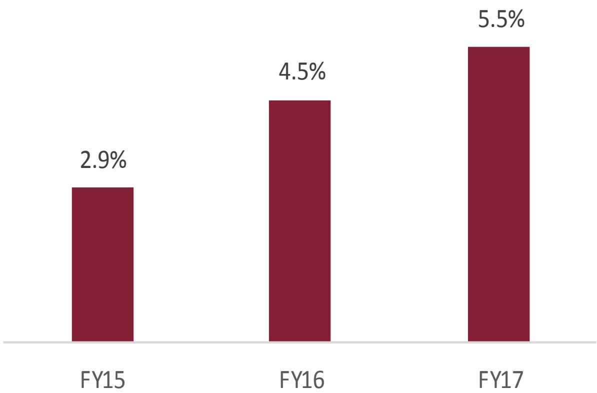
Big Boss (% of Rev)



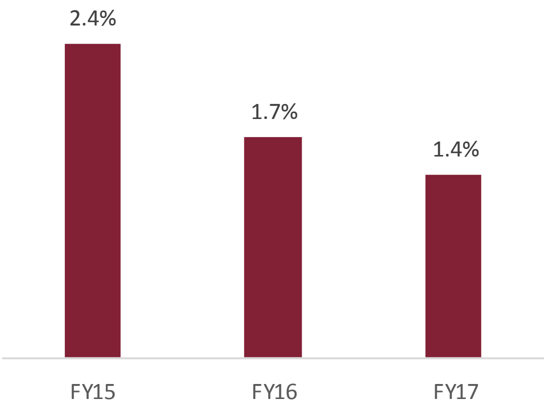
Force NXT (% of Rev)



Missy (% of Rev)



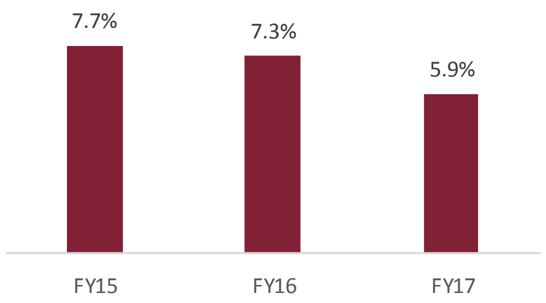
Champion (% of Rev)



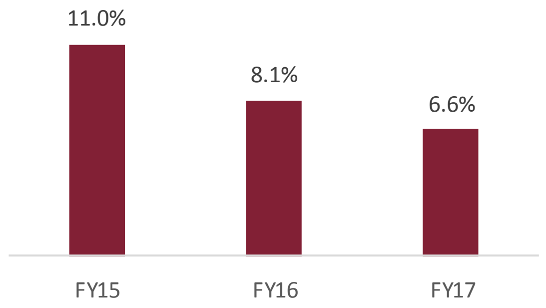
Source: Company, Industry & Indsec Research

Brand wise Revenue Share

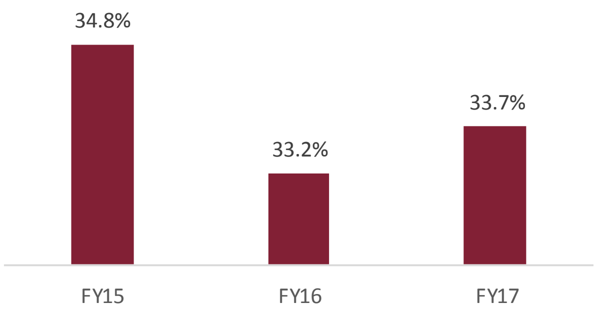
Thermals (% of Rev)



Force Go Wear (% of Rev)

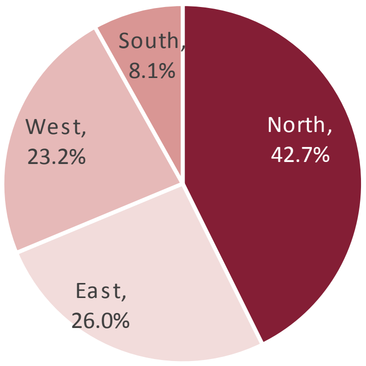


Dollar Regular (% of Rev)

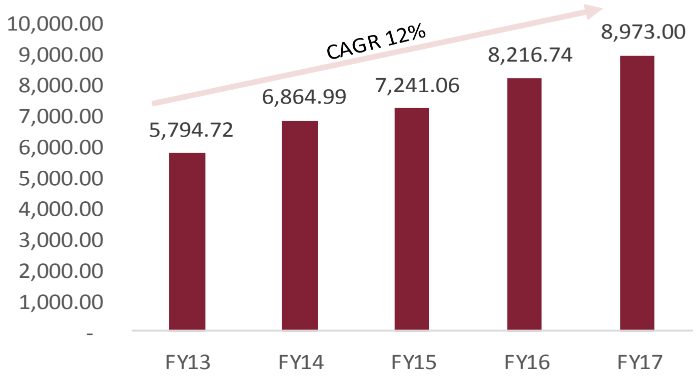


Story in Charts

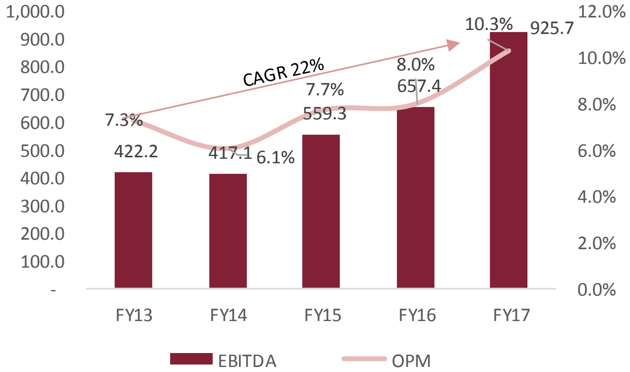
Geographical Revenue break up



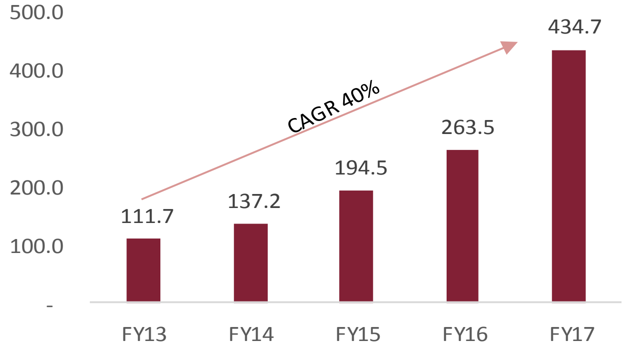
Revenue (Rs mn)



EBITDA (Rs mn) & OPM

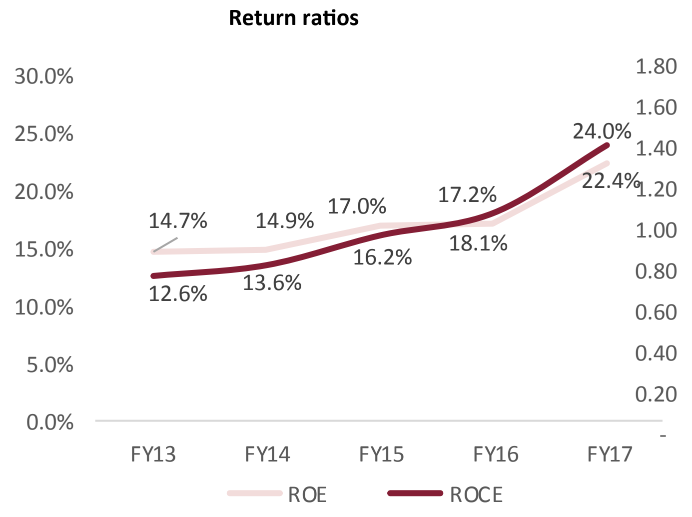


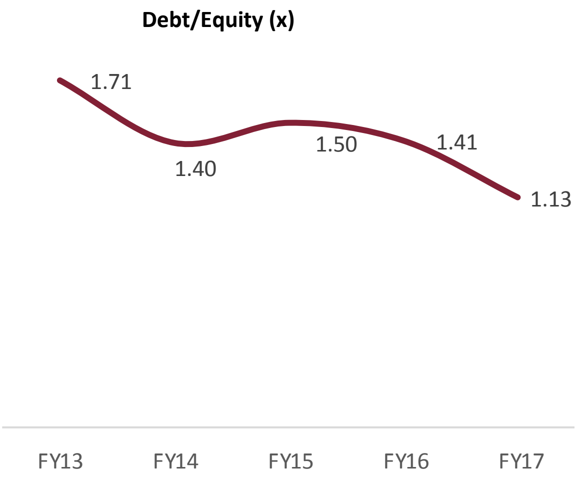
Net Profit (Rs mn)



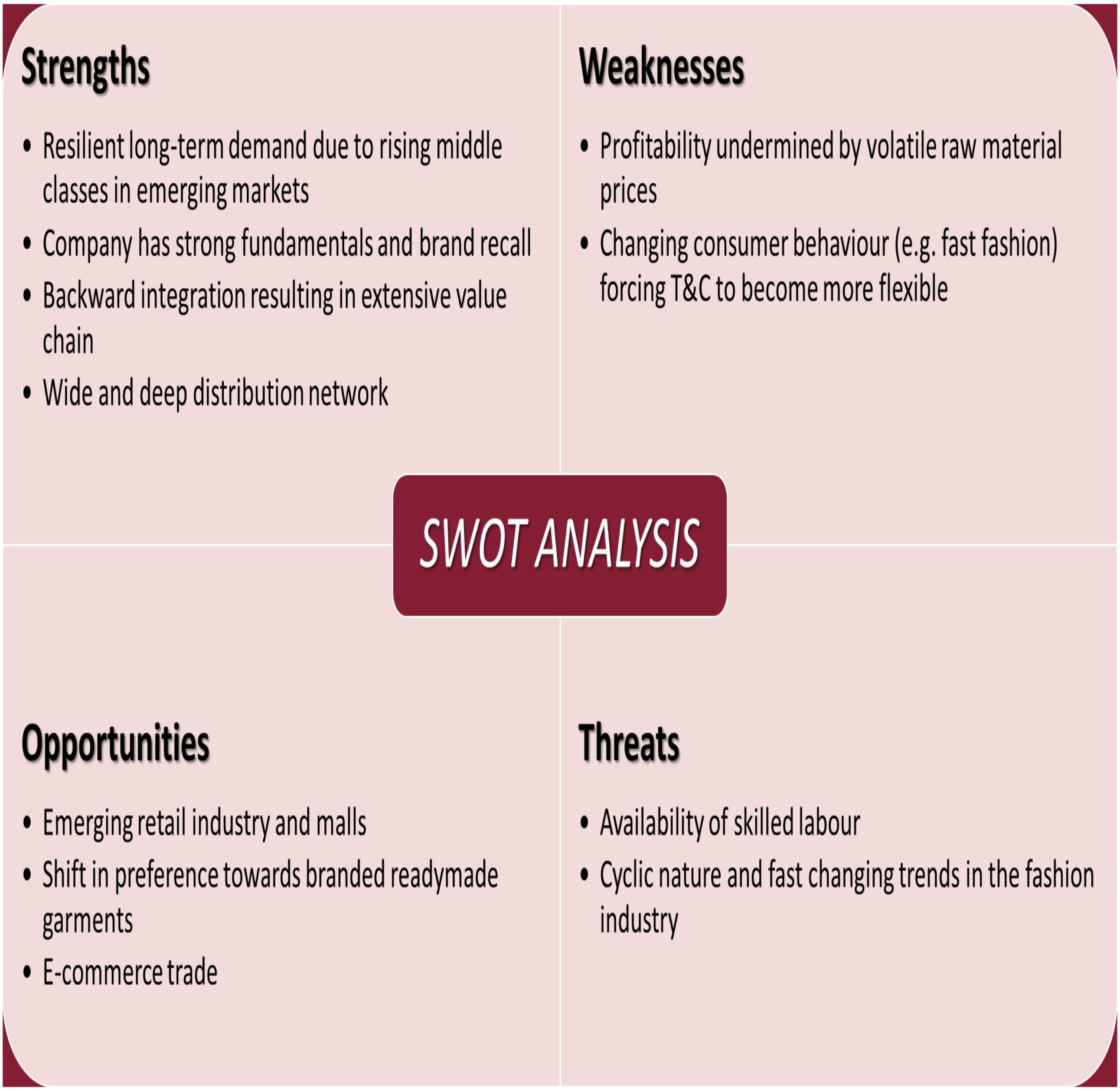
Source: Company, Indsec Research

Story in Charts





SWOT ANALYSIS



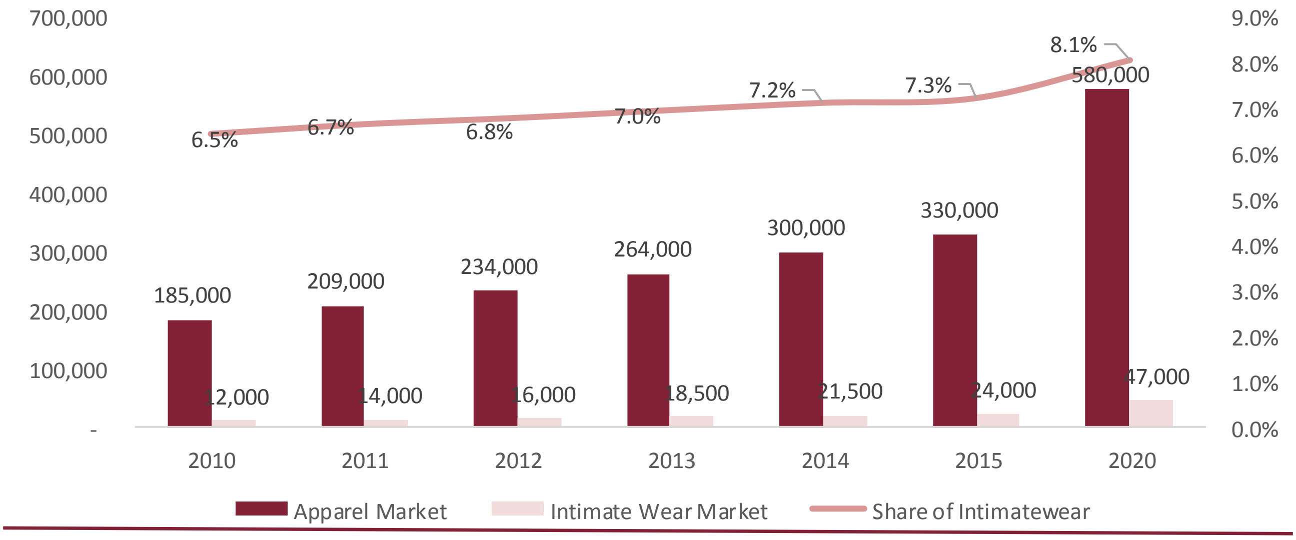
Source: Company, Indsec Research

Industry watch– Innerwear Sector

The Indian textiles sector, currently estimated at around US$ 137 billion, is one of the largest contributors to India's exports with approximately 11% of total exports and expected to reach US$ 226 billion by 2023, by growing at a CAGR of 8.7%. The Indian textile industry, although labour intensive, 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 India's Gross Domestic Product (GDP), 14% to overall Index of Industrial Production (IIP) and constitutes 15% of the country's export earnings. The textile industry has two broad segments. The first is the unorganised sector which comprises small-scale handicraft units and using traditional tools and methods. The second is the organised sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques to avail the advantage economies-of-scale.

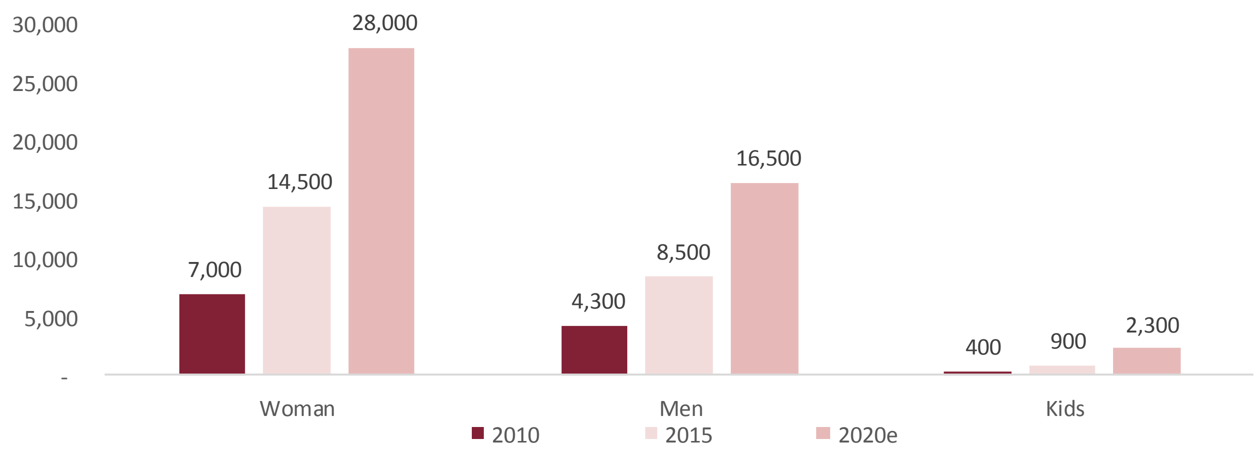
The Indian innerwear market is currently estimated at Rs. 24,000 crore. The segment has grown at 15% during the period from 2010 to 2015. During this period, the share of intimate wear in the total apparel market increased from 6.4% to 7.1%. The innerwear market is estimated to continue at the same growth rate over the next five years and expected to become a Rs. 47,000 crore market which is nearly 8% of the total estimated apparel market, by the year 2020.

Indian Innerwear - Market Size Values (`/Crore)



Indian intimate wear market is dominated by women's segment which currently forms over 60% of the overall market and is valued at Rs. 14,500 crores. This segment has outperformed the overall market as well as men's segment, which currently holds ~ 35% of the total market. Kid's intimate wear market merely has a 4% share in total market.

Category wise Market Size (Values - `/Crore)



Source: Indsec Research, Industry

Investment Rationale

1. Change in consumer dynamics—to drive revenue growth

With rising consumerism, the Indian consumers are in the middle of a transitional phase. The new age Indian customer is radically different from what one could have imagined only a few years ago. The changes are reflected in both the core value system, the general lifestyle as well as the purchase choices. And this change has also trickled down to intimate wear, a category earlier perceived as 'hidden'.

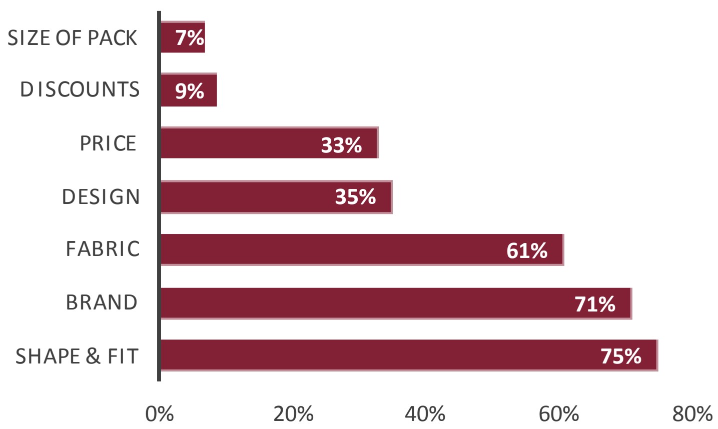
The new age customers of intimate wear are indulgent and include everyone from 'pocket-money to pension'. These consumers belong to the aspirational class, a segment constantly striving for a better lifestyle and upper class, those who have high disposable incomes and can afford better products & lifestyle.

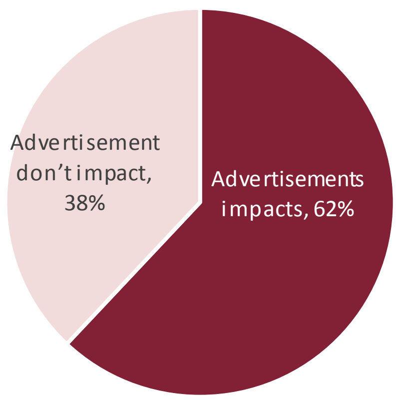
Shape and fit are the most important criteria being looked upon by consumers while buying innerwear. Though very limited brands are recognized in the market, brand is still the second most important factor and it is almost in par with the shape and fit.

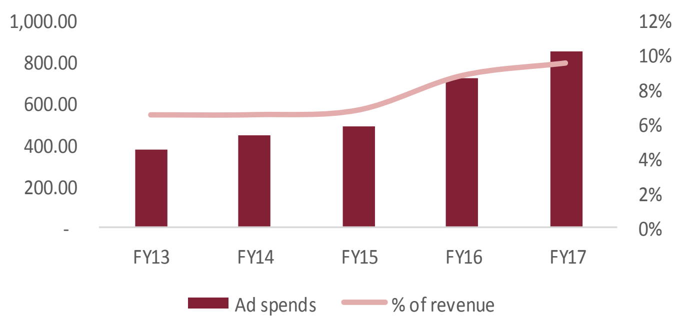
Advertising, public relations, sales promotion, and personal selling all are essential parts of the promotional mix of a marketing plan. Getting iconic celebs speak about innerwear brands seems like a piece of cake nowadays. All these initiatives by brands create a positive impact on consumers as the purchase behavior of a major chunk of Indian population is affected by the television ads they watch.

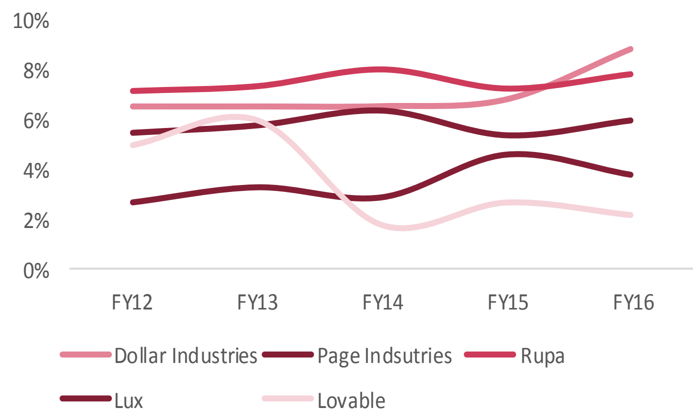
Dollar industries over the years have been one of the highest spenders on advertisement compared to peers. **The company spends ~8-10% of its revenue on brand promotion activities vis-à-vis its peers who spend close to 4% to 6%. We believe all these efforts have borne fruits with the company establishing itself as a prominent brand. Further in order to capitalize on such heavy spending the company would provide higher incentives to its distributors. Going forward, we believe that such expenditure is expected to grow slower than revenue growth which is also likely to improve margins.**

Influencing Parameters









Source: Industry & Indsec Research

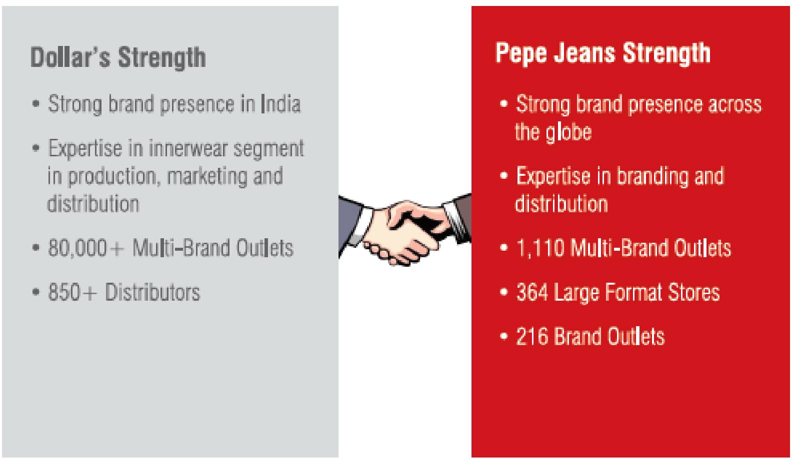
2. Product– Mix & Exports—to enable sustainable growth

Dollar Industries has been one of the fastest growing knitwear and innerwear companies. It has evolved from being another regional player to an all-out pan India player with strong brand recall. Over the years Dollar has also evolved from being just a manufacturer of men's wear to Family wear, and has also increased its focus on premium and super-premium segments, and it has and plans to launch new products each season. In lieu of their strategy to diversify their products, **Dollar has also forayed into the women intimate innerwear segment -which is currently ~60% of the overall market and presents a ~Rs. 145bn opportunity– though its brand "Missy".**

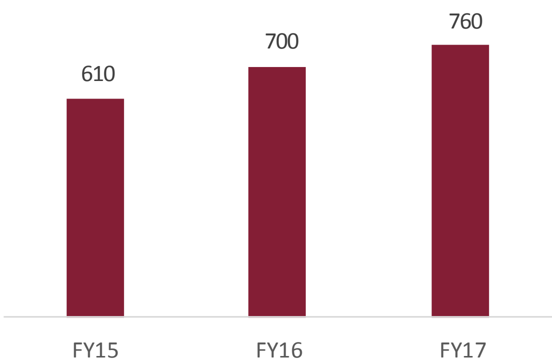
To justify their evolution from being just another regional player to a full-blown international player, **the company has increased their distribution touchpoints from 750+ to 850+.** Moreover, **Dollar has increased their multi-brand outlets from 70,000+ to 80,000+,** and going ahead the management plans to extend their focus from just conventional retail stores to large format stores, modern retail and e-commerce. As of now, the company exports its products in 10 countries.

From the International angle, the company has seen their exports grow at a CAGR of ~12% over FY15-17. Further, in August 2017, the company entered into a 50:50 Joint Venture with Pepe Jeans Europe BV for selling and distribution underwear and loungewear, including gym wear, track suits and sleepwear. The JV will undertake the business in the territories of India, Sri Lanka, Bhutan, Nepal and Bangladesh. Dollar has signed a 10 years exclusive perpetual agreement with a renewal clause with PJ Hungary KFT. The products will be marketed under the brand name "Pepe Jeans London", and the total capital outlay is estimated to be at ~Rs. 2bn, of which Dollar and Pepe Jeans will invest ~Rs. 360mn each and the balance is to be funded via debt. The synergistic benefit in this partnership is the brand presence of each partner. Dollar can feed off Pepe to create their own brand image across the globe and Pepe could do the same vice versa and strengthen their presence in India. Pepe connects through 1,110 Multi-brand outlets, 364 Large Format stores and 216 Brand Outlets.

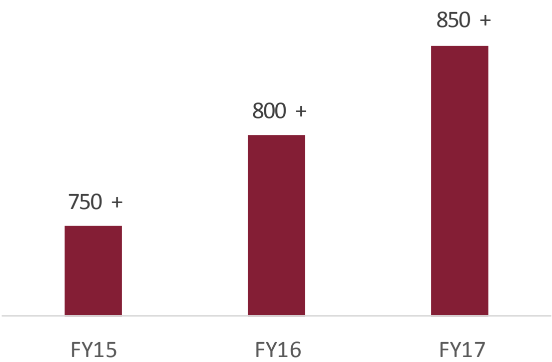
Strengths



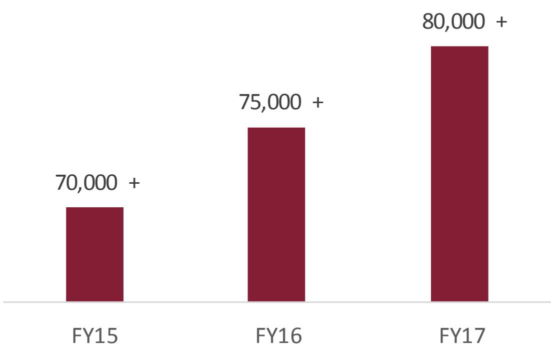
Dollar-Exports (Rs. in mn)



Dollar-Distributors



Dollar-Retail Outlets



Source: Company, Industry & Indsec Research

3. Strong industry dynamic

The Indian innerwear market is currently estimated at Rs. 24,000 crore. The segment has grown at 15% during the period from 2010 to 2015. During this period, the share of intimate wear in the total apparel market increased from 6.4% to 7.1%. The innerwear market is estimated to continue at the same growth rate over the next five years and expected to become a Rs. 47,000 crore market which is nearly 8% of the total estimated apparel market, by the year 2020.

The industry estimates the organised operations at ~45-50% of the overall innerwear market; this indicates the immense growth opportunities for brand-named companies.

Reasons that are likely to drive Indian Innerwear Industry and specially for Organized players

- At the cusp of rapid growth; per capita inner wear expenditure expected to double to Rs 300
- Organised innerwear market of Rs 15,870cr (2015- 2016) projected to grow to Rs 47,000cr by 2020.
- Widening customer needs; increasing product extensions
- Growing scope of e-commerce
- Growing traction from Africa, Arab countries and Middle East
- Enhanced manufacturing automation (ultrasonic cutting systems) increasing efficiency and global competitiveness

Likely Segment Drivers

- GST: The segment is expected to witness rapid expansion soon. The innerwear segment is facing a lot of challenges from the unorganized market, which should shrink after the introduction of GST implication. It will reduce the competitive advantage enjoyed by the unorganized sector, providing more room for organized players.
- Brand consciousness: A shift in paradigm as innerwear has graduated from being just a functional category to a category that offers an additional fashion quotient. It is shifting from a price sensitive category to a brand sensitive category. In fact, this changing preference is no longer restricted to just the metros, but has spread to mini metros, the tier I -II and -III cities. This openness to indulge in branded intimate wear has led to a growth in the number of international and domestic innerwear brands present in India. For evolving consumers, looking good has become an important aspect of life and therefore.
- Rising exports: Many innerwear brands of Indian origin have made their presence felt in countries like Africa and Middle East. If India is able to enter into FTAs with key markets of intimate wear – USA and EU; then the competitiveness of India exports will increase automatically without the need for any direct rebates.
- Increase in Per Capita Income: The standard of living of the people is directly related to their per capita income. Consumer expenditures in emerging cities of India are rising by nearly 14% and in the larger cities by about 12% a year because of rising affluence and the changing lifestyles of people. Greater consumer spending increases the demand for better quality products in the innerwear category adding to the 'feel good' factor

4. No Significant CAPEX to boost profitability and Return Ratios

The company does not have any capex plan as it has already done capex by going backward. It has 400 tonnes per month spinning capacity, 300 tonnes per month knitting capacity, 400 tonnes per month Dyeing and bleaching capacity, 1 mn meters per month elastic capacity and 3 lakh pieces per day cutting capacity. With No major capex planned for the coming two years besides normal maintenance capex is likely to help booster return ratios.

Source: Company, Industry & Indsec Research

5. Focus on premium products to open new avenue for the company and likely to boost margin profile

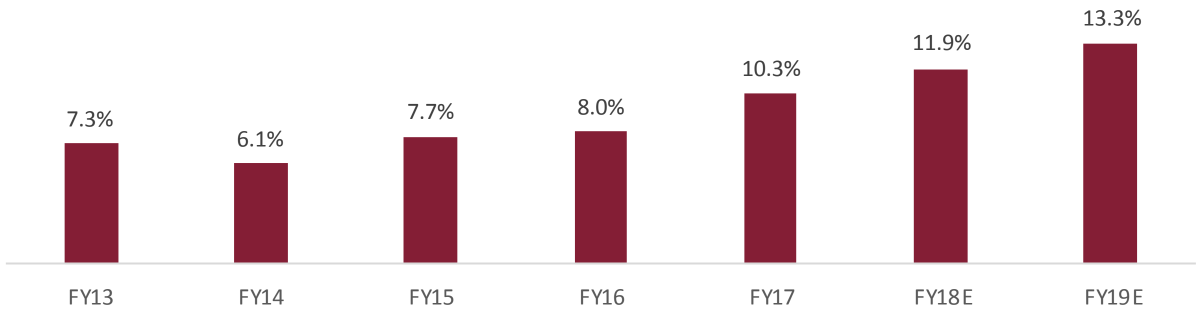
Intending to capture the higher end of the market, the company has been focusing on improving the proportion of its premium category in its sales mix. The efforts have yielded results, with the sales mix changing in favor of the premium category, from 42% in FY12 to 65% in FY17. The shifting has also helped the company improve its margin profile and return ratios. The economy segment (~34% of sales) fetches realizations of ~Rs35 per piece, while the medium category 'Big Boss' (~44% of sales) fetches~Rs-65.

The company is now focusing on super premium category with its brand Force NXT (Realization Rs 114/piece) launched in August 2015 and contributed 2% of FY17 sales. It aims to grow this brand focused on aspirational segment to over Rs 1 bn in next 3 years and would go for aggressive advertisement to position it.

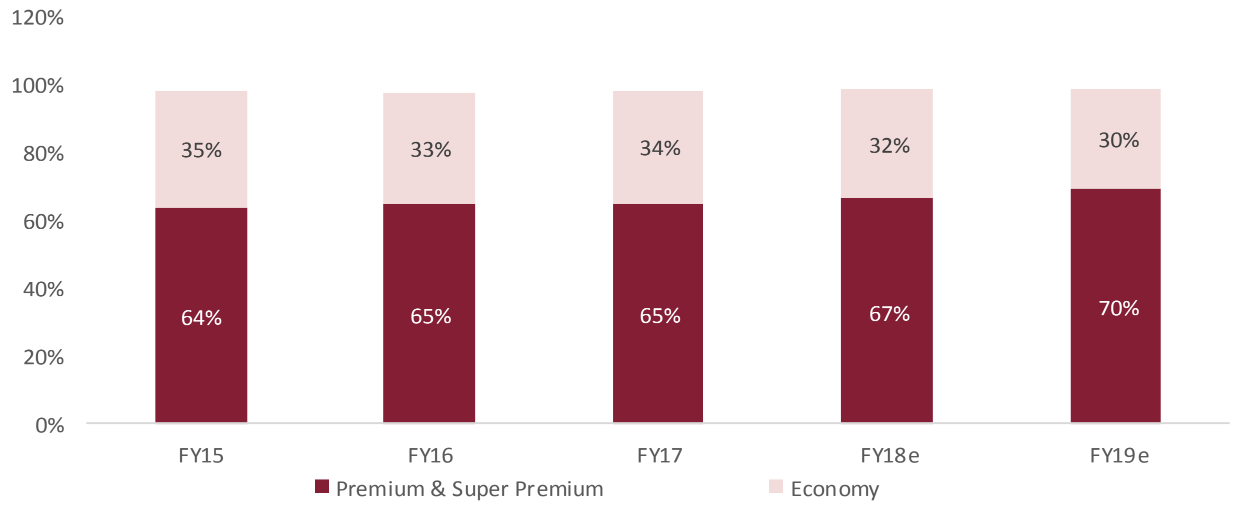
As per the company, there is opportunity to grow by focusing on segments between mid-range product and Super premium products offered by Jockey. Most of the organized players are focusing on filling this gap by launching their products in this segment. Lux is focusing on this through ONN brand, Rupa through 'Macroman M-series' & 'Macrowoman W-Series'. Dollar is doing the same through Force NXT which will help it to tap the opportunity between Jockey and Big Boss. The company intends to achieve the same by focusing on quality, comfort, design, packaging, etc. It would distribute the same through Modern retail, through Shop in Shop, EBOs, MBOs, etc.

We believe company's focus on premium products like Force NXT which command higher realization vis-à-vis its present range is likely to help company boost its margin profile in the coming years. Further, this also helps the company to file the product gap in its portfolio. We expect the company's margin profile to improve almost 330bps over FY17-19 lead by increase in premium products.

OPM Trend



Increase in Focus towards premium and Super premium products



Source: Company, Industry & Indsec Research

Valuation and Recommendation :

Dollar Industries has been one of the fastest growing knitwear and innerwear companies. It has evolved from being another regional player to an all-out pan India player with strong brand recall. Over the years Dollar has also evolved from being just a manufacturer of men's wear to Family wear, and has also increased its focus on premium and super-premium segments

The company has largely been present in economy and mid-premium segment through its Dollar Regular (Realization Rs 35/piece) and Big Boss (Realization Rs 62 per piece) brands with 34% and 44% revenue contribution, respectively. The company is now focusing on super premium category with its brand Force NXT (Realization Rs 114/piece) launched in August 2015 and contributed 2% of FY17 sales. The company believe there lies a huge opportunity for the company to capture market share in the super premium category. We believe this is also likely help its overall margins expanding.

Further the company has invested heavily on its backward integration plant, It has 400 tonnes per month spinning capacity, 300 tonnes per month knitting capacity, 400 tonnes per month Dyeing and bleaching capacity, 1 mn meters per month elastic capacity and 3 lakh pieces per day cutting capacity. The company carries stitching through job work. The backward integration would help it in offering quality product for brands. Going forward the company does not envisage any major capex.

We expect the Topline to grow at CAGR of ~17% over FY17-FY19E, while EBITDA is expected to grow at CAGR of ~33% with margins expanding by ~330bps over the same period to ~13.3%. At CMP of Rs 423 the stock is trading at 35.0x and 23.7x on expected earnings of Rs 12.10 and Rs 17.87 for FY18E and FY19E. Given the change in preference of consumers towards branded products, we believe Dollar is well position to capture incremental growth. Further, with no major capex and likely capping on add expenses the company's margin and return profile are likely to see improvement. If we compare the company to its peers (ex- Page) the company is expected to post a topline CAGR growth of 17.2% over FY17-19E as against 10% for Rupa and 11% for Lux (consensus estimates) for the same period. Given this we believe the company is likely to trade at similar levels to its peers (table below). We assign a target a multiple of 36x on December 18 earnings of Rs14.98, post which we arrive at a target of Rs 539 an upside of 28% from current levels.

Particulars	Dollar	Lux	Rupa	Page
Sales Growth				
FY17	9%	3%	8%	19%
EBITDA Growth				
FY17	41%	27%	5%	10%
OPM (Consensus Estimates)				
FY17	10%	12%	13%	19%
FY18E	12%	13%	14%	19%
FY19E	13%	13%	14%	20%
PAT Growth				
FY17	51%	22%	10%	15%
EPS (Consensus Estimates)				
FY17	8.02	24.89	9.09	238.74
FY18E	12.10	27.35	11.50	295.35
FY19E	17.87	30.16	12.69	370.79
CMP as on 24.10.17 (in Rs.)	437	1,155	429	20,106
P/E				
FY17	54.4	46.4	47.2	84.2
FY18E	36.1	42.2	37.3	68.1
FY19E	24.4	38.3	33.8	54.2
ROE (%) (Consensus Estimates)				
FY17	24%	30%	18%	45%
FY18E	27%	23%	19%	47%
FY19E	29%	20%	20%	44%

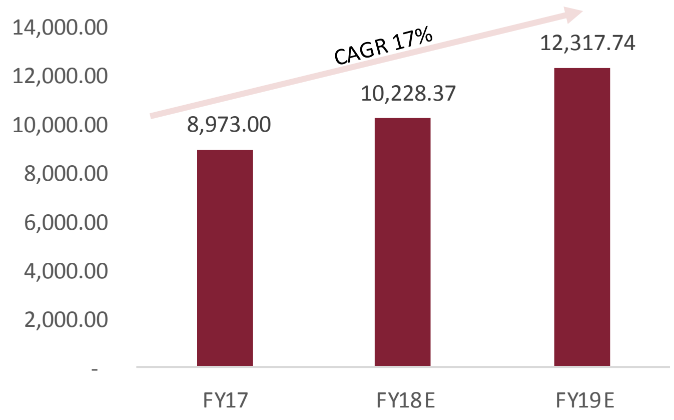
Risk to Call:

Volatile raw material prices. Any delay or inability of the company to pass on fluctuation in raw material prices could impact margins.

Change in consumer behavior— the segment is subject to fast change in consumer preference and technology . The company's inability to respond to such changes could dent future revenue.

Revenue (Rs mn)

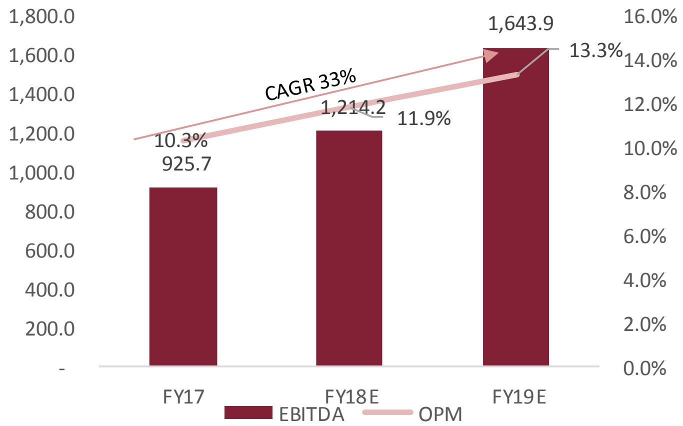
Topline is expected to grow by 17% CAGR between FY17-19E to Rs.12.3bn on the back growth in premium and super premium segment



EBTIDA (Rs mn) (OPM)

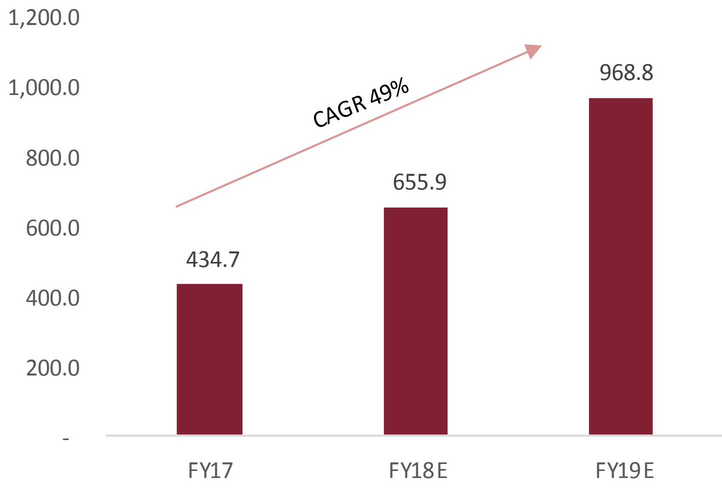
Source: Industry, Indsec

EBITDA is expected to grow by 33% CAGR between FY17-19E to Rs. 1.6bn while OPM is expected to be in the region of 13.3%.



PAT (Rs mn) &PAT Margins

PAT is expected to grow by 49% CAGR between FY17-19E to Rs. 9.69bn.



Source: Company & Indsec Research

SUMMARY INCOME STATEMENT							
(in mn)	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**
Total Income	5,795	6,865	7,241	8,217	8,973	10,228	12,318
Cost Of Revenues (incl Stock Adj)	2,743	3,656	3,773	3,574	3,916	4,398	5,235
Gross Profit	**3,052**	**3,209**	**3,468**	**4,643**	**5,057**	**5,830**	**7,083**
Employee Cost	37	49	73	100	215	358	493
Other Operating Expenses	**2,593**	**2,742**	**2,836**	**3,886**	**3,916**	**4,258**	**4,946**
EBITDA	422	417	559	657	926	1,214	1,644
Other Income	31	34	65	83	86	102	123
Net Interest Exp.	**187**	**156**	**202**	**194**	**197**	**166**	**138**
Depreciation	100	88	114	137	148	156	161
Exceptional Items	0	0	0	0	0	0	0
PBT	**166**	**206**	**308**	**409**	**667**	**994**	**1,468**
Tax	54	69	113	145	233	338	499
Profit After Tax	112	137	194	264	435	656	969
Net Profit	**112**	**137**	**194**	**264**	**435**	**656**	**969**
EPS	2.9	3.5	5.0	6.8	8.0	12.1	17.9

SUMMARY BALANCE SHEET Fiscal Year Ending							
(in mn)	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**
Assets							
Net Block	532.0	503.9	853.6	837.1	748.4	642.0	530.6
Capital WIP	26.0	252.5	3.7	6.4	0.2	0.0	0.0
Intangible Assets under development	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Non current Assets	31.3	2.0	3.0	6.4	6.9	6.9	6.9
Long term loans and advances	38.6	41.5	36.4	53.3	17.9	28.0	33.7
Current Assets							
Current Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	1,238.8	1,067.2	1,211.4	2,083.7	2,048.7	2,241.8	2,632.3
Trade receivables	1,103.3	1,414.0	1,852.0	1,931.6	2,265.3	2,522.1	2,969.8
Cash and cash equivalents	202.0	100.4	90.6	103.5	96.8	389.2	733.7
Short-term loans and advances	169.3	86.0	163.4	145.9	132.4	112.1	101.2
Other Current Assets	36.0	2.8	2.3	2.8	1.4	2.8	3.4
Total Current Assets	**2,749.4**	**2,670.4**	**3,319.6**	**4,267.5**	**4,544.7**	**5,268.0**	**6,440.4**
Current Liabilities & Provisions							
Short-term borrowings	1,126.3	1,026.0	1,266.0	1,500.9	1,389.1	1,089.1	789.1
Trade payables	497.6	623.9	784.8	1,017.8	934.4	1,177.0	1,484.9
Other current liabilities	227.5	292.0	336.8	481.6	255.2	336.3	472.5
Short-term provisions	124.8	20.0	1.8	63.9	153.8	153.8	153.8
Total Current Liabilities	849.9	935.9	1,123.3	1,563.2	1,343.4	1,667.0	2,111.1
Net Current Assets	**1,899.5**	**1,734.5**	**2,196.3**	**2,704.3**	**3,201.3**	**3,601.0**	**4,329.3**
Total Assets	**2,527.3**	**2,534.5**	**3,093.0**	**3,607.5**	**3,974.7**	**4,277.9**	**4,900.5**
Liabilities							
Share Capital	77.5	77.5	77.5	77.5	108.4	108.4	108.4
Reserves and Surplus	808.3	934.1	1,126.4	1,377.4	1,700.8	2,293.3	3,198.7
Total Shareholders Fund	**885.8**	**1,011.6**	**1,203.9**	**1,454.9**	**1,809.2**	**2,401.7**	**3,307.1**
Total Debt	**1,512.0**	**1,416.2**	**1,804.3**	**2,053.5**	**2,049.8**	**1,749.8**	**1,449.8**
Long Term Provisions	0.0	0.0	0.0	0.0	18.9	18.9	18.9
Other Long Term Liabilities	81.5	77.8	39.6	58.5	73.3	84.1	101.2
Net Deferred Tax Liability	48.1	29.0	45.3	40.7	23.5	23.5	23.5
Total Liabilities	**2,527.3**	**2,534.5**	**3,093.0**	**3,607.5**	**3,974.7**	**4,277.9**	**4,900.5**

SUMMARY CASH FLOW STATEMENT							
(in mn)	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
PBT	166	206	308	409	667	994	1,468
Depreciation & Amort., Total	100	88	114	137	148	156	161
After other adjustments	210	186	199	190	202	166	138
(Inc) / Dec in Working Capital	(137)	63	(489)	(561)	(540)	(107)	(372)
Taxes	(70)	(101)	(102)	(99)	(213)	(338)	(499)
Others	-	-	-	-	-	-	-
Cash from Ops.	**269**	**442**	**30**	**76**	**265**	**872**	**896**
Capital Expenditure & investments	(88)	(283)	(211)	(120)	(56)	(50)	(50)
Cash from Investing	**(88)**	**(283)**	**(211)**	**(120)**	**(56)**	**(50)**	**(50)**
Issue of Share capital	-	-	-	-	-	-	-
Net Borrowings	145	(94)	387	251	(4)	(300)	(300)
Others	(187)	(156)	(202)	(194)	(197)	(166)	(138)
Issuance of Dividend	(10)	(11)	(14)	-	(14)	(63)	(63)
Cash from Financing	**(53)**	**(261)**	**171**	**57**	**(215)**	**(530)**	**(501)**
Extraordinary receipts/payment	-	-	-	-	-	-	-
Net Change in Cash	**128**	**(102)**	**(10)**	**13**	**(7)**	**292**	**344**
BF Cash	74	202	100	91	104	97	389
Cash from Merger	-	-	-	-	-	-	-
END Cash	**202**	**100**	**91**	**104**	**97**	**389**	**734**

SUMMARY RATIOS							
	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
Profitability							
Return on Assets	3.3%	4.0%	4.6%	5.1%	8.2%	11.0%	13.8%
Return on Capital	14.7%	14.9%	17.0%	17.2%	22.4%	27.9%	33.8%
Return on Equity	12.6%	13.6%	16.2%	18.1%	24.0%	27.3%	29.3%
Margin Analysis							
Gross Margin	52.7%	46.7%	47.9%	56.5%	56.4%	57.0%	57.5%
EBITDA Margin	7.3%	6.1%	7.7%	8.0%	10.3%	11.9%	13.3%
Net Income Margin	1.9%	2.0%	2.7%	3.2%	4.8%	6.4%	7.9%
Short-Term Liquidity							
Current Ratio	1.4x	1.4x	1.4x	1.4x	1.7x	1.9x	2.2x
Quick Ratio	0.8x	0.8x	0.9x	0.7x	0.9x	1.1x	1.3x
Avg. Days Sales Outstanding	69	75	93	86	92	90	88
Avg. Days Inventory Out-standing	78	57	61	93	83	80	78
Avg. Days Payables	31	33	40	45	38	42	44
Long-Term Solvency							
Total Debt / Equity	1.7x	1.4x	1.5x	1.4x	1.1x	0.7x	0.4x
EBITDA / Interest Expense	1.9x	2.3x	2.5x	3.1x	4.4x	7.0x	11.7x
Valuation Ratios							
EV/EBITDA	41.9x	42.4x	32.4x	27.9x	26.9x	20.0x	14.4x
PER	146.6x	119.4x	84.2x	62.2x	52.8x	35.0x	23.7x
P/B	18.5x	16.2x	13.6x	11.3x	12.7x	9.5x	6.9x

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BUY : Expected total return of over 25% within the next 12 months.

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