



<b>CMP</b>	<b>213</b>	<b>Rating</b>	<b>BUY</b>
<b>Target</b>	<b>290</b>	<b>Upside</b>	<b>36%</b>

**Slowdown across categories:** Dollar Industries witnessed a 4.1% decline in topline to Rs 2.3bn on account of de growth across categories with volume declining 15.9% YoY to 370mn pieces.

**OPM flat as lower sub contracting expenses negate higher employee expenses:** EBITDA declined 4.6% to Rs 0.3bn while OPM remained flat YoY at 11.6% as higher Employee Exp (+106bps YoY) was negated by lower sub contracting expenses (-96bps).

**Higher Depreciation and Interest cost impact PAT:** PAT for the qtr de grew by 6.6% YoY to Rs 0.1bn led by a weak operating performance, higher Depreciation (+22.8% YoY to Rs 31.9mn) and Interest cost (+20.9% YoY to Rs 41.7mn). However a lower tax rate (35.4% vs 38.3% YoY) curbed further de growth. NPM for the qtr stood at 5.5% vs 5.7% YoY.

STOCK DETAILS	
Bloomberg Code	DOLLAR:IN
Market Cap (Rs.bn)	12.4
Market Cap (USD bn)	0.2
Sector/Index	Apparels/S&P BSE SmallCap
52w High/Low	350/178
Avg Monthly Turnover (Rs. mn)	1.28
Shares in Issue (mn)	56.7
BSE Sensex	37,582
NSE Nifty	11,110

**About the company:** 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.

FINANCIALS				
Rs in bn	FY18	FY19	FY20E	FY21E
Revenue	9.3	10.3	11.0	12.1
EBITDA	1.2	1.4	1.5	1.7
EBITDA(%)	13.4	13.2	13.8	14.1
PAT	0.6	0.7	0.8	0.9
PAT(%)	6.9	7.2	7.1	7.4
EPS (Rs.)	11.5	13.0	13.7	15.8
P/E (x)	18.5	16.4	15.5	13.5

Source: Company, Indsec Research

Result (Rs.bn)	Q1FY20	Q1FY19	Q4FY19	Y/Y(%)	Q/Q(%)
Revenue	2.3	2.4	3.0	-4.1%	-21.6%
EBITDA	0.3	0.3	0.3	-4.6%	-21.6%
EBITDA(%)	11.6	11.6	11.6	-5bps	-1bps
PAT	0.1	0.1	0.2	-6.6%	-42.8%
PAT(%)	5.5	5.7	7.6	-15bps	-205bps
EPS	2.27	2.43	3.98	-6.6%	-42.8%

#### Key Takeaways:

**Topline below expectations:** The company witnessed a muted growth in Q1FY20 with de growth across its brands with the exception of Missy which grew 18% (7% volume and 11% price growth) and socks with a growth of 8%. The economic scenario led slowdown disrupted offtakes at consumer level while the liquidity crunch at distributor level also dampened sales.

**Brand wise contribution:** The revenue mix for the qtr stood as follows: Bigboos-46.5%, Champion-1%, Force Go Wear-5%; Force NXT-2%; Missy-9%, Regulars-36%. The total number of pieces sold during the qtr was ~370 mn vs ~440mn YoY.

**EBITDA flat at 11.6%:** Employee expenses have increased on account of increase in employees required to manage the transition phase of increasing their retail base. The company is looking at rationalizing its Ad costs and has guided for a target Ad spends of Rs 900mn for FY20 with Rs 280mn spent in Q1.

**Working capital Cycle:** The high working capital days continue to put a strain on the company's cash flow generation. The company efforts to convince distributors to obtain channel financing is yet to see results. The working capital days has remained in the range of 150-160 days with Debtor and Inventory days in the range of ~100 respectively and Creditor Days at ~50 days.

**Debt Levels:** The working capital debt stood at 1.87bn while Long term debt was Rs 100mn.

#### Valuation and View:

Dollar Industries' reported a subdued performance for the qtr with a 4.1%/4.6%/6.6% decline in Revenue/EBITDA/PAT respectively.

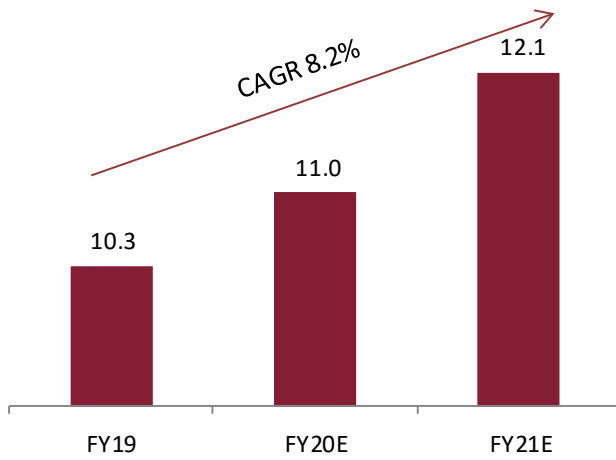
The company continues to focus on increasing its retail reach and consolidation of its brands which could help drive growth in the long term. However, efforts to improve working capital cycle has not yielded the expected results and could take a longer time period.

Given the muted performance, our estimates stand revised and we now expect a Revenue/EBITDA/PAT CAGR of 8.2%/12.1%/10.4% over FY19-FY21E.

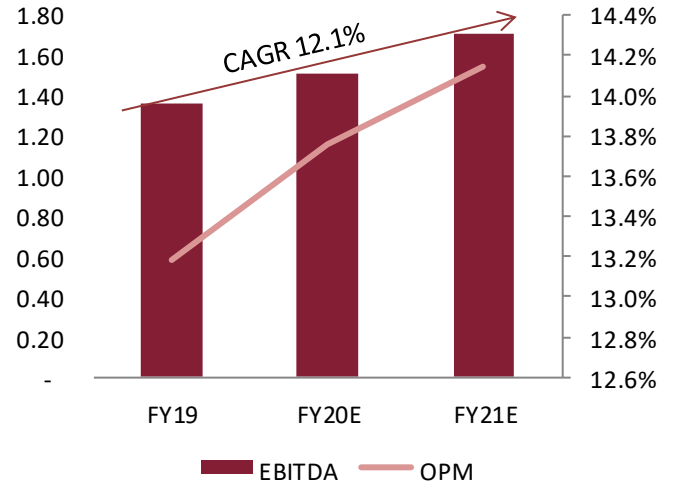
**At CMP of Rs 213, the stock is trading at 15.5x FY19E/13.5x FY20E on expected earnings of Rs 13.7/ Rs 15.8 respectively. We roll forward our estimates to Sept 2020E EPS of Rs 14.5 and reduce our PE multiple to 20x (vs 24x earlier-given the slowdown led by economic environment impacting offtakes and working capital cycle improvement not in line with expectations), thus arriving at a target price of Rs 290, which implies an upside of 36% from current levels. We assign a Buy call on the stock.**

## Financial Snapshot

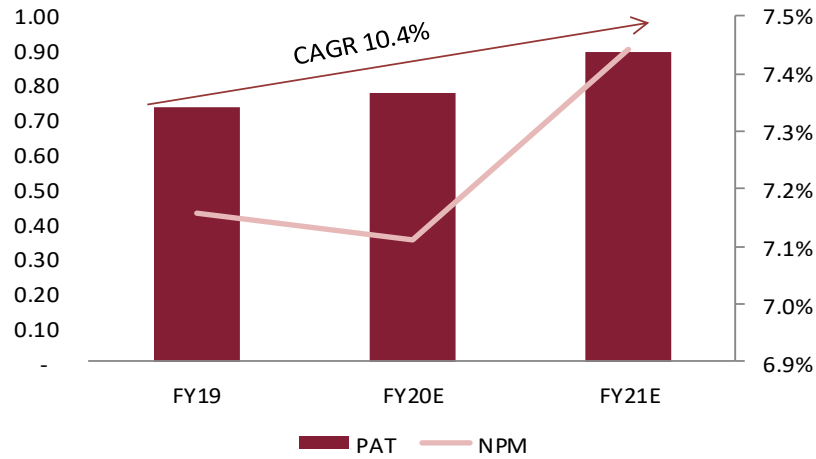
Revenue (Rs. in Bn.)



EBITDA (Rs. in Bn.)/ OPM (in %)



PAT (Rs. in Bn.)/ PATM (in %)



**SUMMARY INCOME STATEMENT**

<i>(in mn)</i>	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operations	8,217	8,861	9,256	10,288	10,955	12,051
Cost Of Revenues	3,574	3,916	4,059	4,335	4,491	4,941
<b>Gross Profit</b>	<b>4,643</b>	<b>4,945</b>	<b>5,196</b>	<b>5,952</b>	<b>6,463</b>	<b>7,110</b>
Employee Cost	100	218	264	336	493	542
Other Operating Expenses	3,886	3,728	3,693	4,259	4,463	4,863
<b>EBITDA</b>	<b>657</b>	<b>999</b>	<b>1,239</b>	<b>1,357</b>	<b>1,507</b>	<b>1,705</b>
Other Income	83	14	20	22	22	24
Net Interest Exp.	194	198	179	157	182	191
Depreciation	137	148	122	111	129	136
Exceptional Items	0	0	0	0	0	0
PBT	409	668	958	1,110	1,217	1,402
Tax	145	233	318	358	438	505
<b>Profit After Tax</b>	<b>264</b>	<b>435</b>	<b>640</b>	<b>753</b>	<b>779</b>	<b>897</b>
EPS	6.8	8.0	11.5	13.0	13.7	15.8

**SUMMARY BALANCE SHEET**

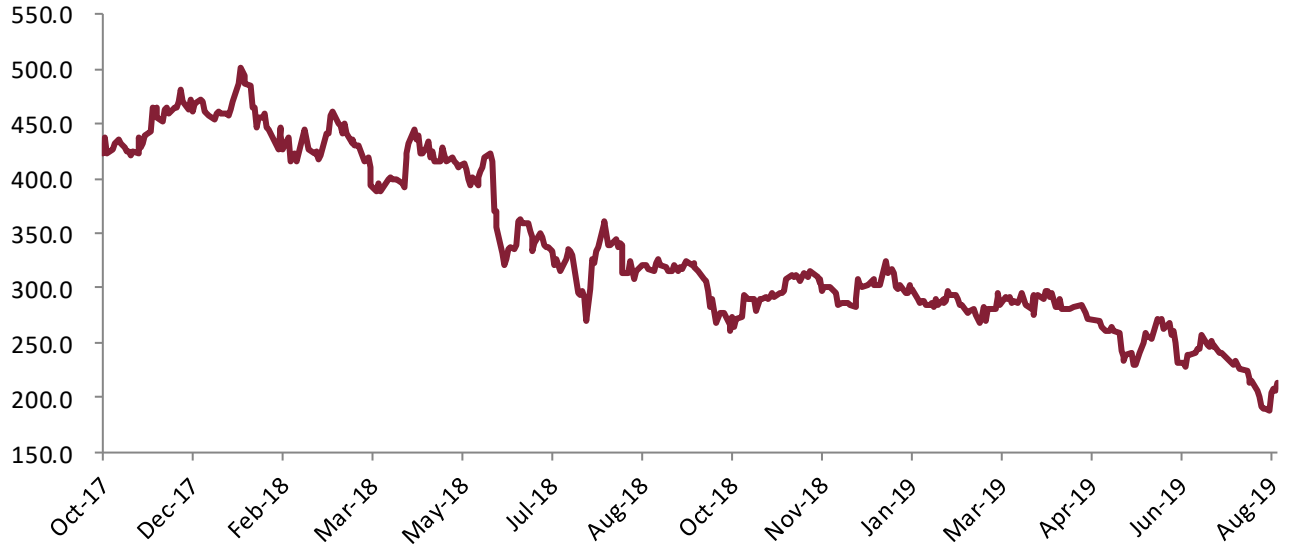
<i>(in mn)</i>	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Assets</b>						
Net Block	837	748	684	702	670	631
Capital WIP	6	0	21	20	20	20
Intangible Assets under development	0	0	0	0	0	0
Other Non current Assets	6	7	44	94	94	94
Long term loans and advances	53	18	6	6	7	8
<b>Current Assets</b>						
Current Investment	0	0	0	0	0	0
Inventories	2,084	2,049	2,829	3,246	3,301	3,632
Trade receivables	1,932	2,265	2,717	3,476	3,451	3,797
Cash and cash equivalents	104	97	196	215	879	1,363
Short-term loans and advances	146	132	7	2	3	4
Other Current Assets	3	1	227	318	318	318
<b>Total Current Assets</b>	<b>4,268</b>	<b>4,545</b>	<b>5,976</b>	<b>7,258</b>	<b>7,954</b>	<b>9,114</b>
<b>Current Liabilities &amp; Provisions</b>						
Short-term borrowings	1,501	1,389	1,250	2,077	2,177	2,277
Trade payables	1,018	934	1,127	1,475	1,261	1,387
Other current liabilities	482	255	353	314	314	314
Short-term provisions	64	154	1	0	0	0
<b>Total Current Liabilities</b>	<b>1,563</b>	<b>1,343</b>	<b>1,481</b>	<b>1,790</b>	<b>1,575</b>	<b>1,701</b>
<b>Net Current Assets</b>	<b>2,704</b>	<b>3,201</b>	<b>4,495</b>	<b>5,468</b>	<b>6,378</b>	<b>7,413</b>
<b>Total Assets</b>	<b>3,608</b>	<b>3,975</b>	<b>5,250</b>	<b>6,290</b>	<b>7,169</b>	<b>8,166</b>
<b>Liabilities</b>						
Share Capital	77	108	113	113	113	113
Reserves and Surplus	1,377	1,701	3,410	4,043	4,822	5,719
<b>Total Shareholders Fund</b>	<b>1,455</b>	<b>1,809</b>	<b>3,524</b>	<b>4,157</b>	<b>4,936</b>	<b>5,833</b>
<b>Total Debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long Term Provisions	2,053	2,050	1,700	2,112	2,212	2,312
Other Long Term Liabilities	58	73	0	0	0	0
Net Deferred Tax Liability	41	23	4	1	1	1
<b>Total Liabilities</b>	<b>3,608</b>	<b>3,975</b>	<b>5,250</b>	<b>6,290</b>	<b>7,169</b>	<b>8,166</b>

\*Previous period figures have been restated wherever necessary to make them comparable.

SUMMARY CASH FLOW STATEMENT						
(in mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	409	667	954	1,110	1,217	1,402
Depreciation & Amort., Total	137	148	122	111	129	136
After other adjustments	190	202	189	157	182	191
(Inc) / Dec in Working Capital	(561)	(540)	(1,216)	(924)	(247)	(552)
Taxes	(99)	(213)	(359)	(365)	(438)	(505)
Others	-	-	-	-	-	-
<b>Cash from Ops.</b>	<b>76</b>	<b>265</b>	<b>(311)</b>	<b>90</b>	<b>844</b>	<b>673</b>
Capital Expenditure & investments	(120)	(56)	(108)	(128)	(97)	(98)
<b>Cash from Investing</b>	<b>(120)</b>	<b>(56)</b>	<b>(108)</b>	<b>(128)</b>	<b>(97)</b>	<b>(98)</b>
Issue of Share capital	-	-	1,075	-	-	-
Net Borrowings	251	(4)	(319)	412	100	100
Others	(194)	(197)	(179)	(157)	(182)	(191)
Issuance of Dividend	-	(14)	(65)	-	-	-
<b>Cash from Financing</b>	<b>57</b>	<b>(215)</b>	<b>512</b>	<b>255</b>	<b>(82)</b>	<b>(91)</b>
Adj.	-	-	-	(195)	-	-
<b>Net Change in Cash</b>	<b>13</b>	<b>(7)</b>	<b>94</b>	<b>22</b>	<b>664</b>	<b>484</b>
BF Cash	91	104	100	194	215	879
<b>END Cash</b>	<b>104</b>	<b>97</b>	<b>194</b>	<b>215</b>	<b>879</b>	<b>1,363</b>

SUMMARY RATIOS						
	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Profitability</b>						
Return on Assets	5.1%	8.2%	9.5%	9.1%	8.9%	9.1%
Return on Capital	17.2%	22.4%	21.8%	20.2%	19.6%	19.5%
Return on Equity	18.1%	24.0%	18.2%	18.1%	15.8%	15.4%
<b>Margin Analysis</b>						
Gross Margin	56.5%	55.8%	56.1%	57.9%	59.0%	59.0%
EBITDA Margin	8.0%	11.3%	13.4%	13.2%	13.8%	14.1%
Net Income Margin	3.2%	4.9%	6.9%	7.3%	7.1%	7.4%
<b>Short-Term Liquidity</b>						
Current Ratio	1.4x	1.7x	2.2x	1.9x	2.1x	2.3x
Quick Ratio	0.7x	0.9x	1.2x	1.0x	1.2x	1.4x
Avg. Days Sales Outstanding	84	86	98	110	115	115
Avg. Days Inventory Outstanding	73	85	96	108	110	110
Avg. Days Payables	40	40	41	46	42	42
<b>Long-Term Solvency</b>						
Total Debt / Equity	1.4x	1.1x	0.5x	0.5x	0.4x	0.4x
EBITDA / Interest Expense	3.1x	4.4x	6.4x	8.1x	7.7x	8.3x
<b>Valuation Ratios</b>						
EV/EBITDA	15.5x	13.5x	11.0x	10.3x	8.9x	7.6x
PER	31.3x	26.6x	18.5x	16.4x	15.5x	13.5x
P/B	5.7x	6.4x	3.4x	2.9x	2.4x	2.1x

\*Previous period figures have been restated wherever necessary to make them comparable.

**Stock Price movement from Initiation (25th Oct, 2017) to 9th August, 2019**

**Recommendation History**

Date	Closing Price	TP	Periods (in mts)	Rating	Analyst
9-Aug-19	213	290	12m	BUY	Jimeet M. Shah, Kimberly Paes
21-Feb-19	270	363	12m	BUY	Jimeet M. Shah, Kimberly Paes
16-Nov-18	316	394	12m	BUY	Jimeet M. Shah, Kimberly Paes
20-Aug-18	324	428	12m	BUY	Jimeet M. Shah, Kimberly Paes
10-Jul-18	330	428	12m	BUY	Jimeet M. Shah, Kimberly Paes
21-Feb-18	423	545	12m	BUY	Rahul Dani
25-Oct-17	423	539	12m	BUY	Rahul Dani

## INDSEC Rating Distribution

**BUY** : Expected total return of over 20% within the next 12 months.

**ACCUMULATE** : Expected total return between 10 to 20% within the next 12 months.

**REDUCE** : Expected total return below 10% within the next 12 months.

**SELL** : Expected total return is below the market return within the next 12 months.

**NEUTRAL**: No investment opinion on the stock under review.

## DISCLOSURE

### BUSINESS ACTIVITIES:

Indsec Securities and Finance Limited (ISFL) is a corporate member of BSE in Equity, WDM segment and of NSEIL in Equity, WDM, Futures & Options and Currency Derivative segments. ISFL is also a Depository Participant of the National Securities Depository Limited (NSDL) and a SEBI registered Portfolio Manager. ISFL has also secured membership of the MCX Stock Exchange in Currency Derivative Segment. With this setup ISFL is in a position to offer all types of services in the securities industry.

Since inception company's focus has been on research. In view of its research capabilities ISFL focused mainly on institutional business and is today empanelled with most of the local financial institutions, insurance companies, banks and mutual funds. ISFL has grown from being a medium size broking outfit to become one of the largest capitalized Indian broking company offering the complete range of broking services.

ISFL was incorporated on 28th July 1993 and doesn't have any associates/ subsidiaries. ISFL is a registered Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993 vide registration No. INP000001892.

### DISCIPLINARY HISTORY:

- No material penalties / directions have been issued by the SEBI under the securities laws, SEBI Act or Rules or Regulations made there under
- No penalties have been imposed for any economic offence by any authority.
- No material deficiencies in the systems and operations of the Company have been observed by any regulatory agency.
- There are no pending material litigations or legal proceedings, findings of inspections or investigations for which action has been taken or initiated by any regulatory authority against the Company or its Directors, principal officers or employees or any person directly or indirectly connected with the Company.

### DECLARATION:

- ISFL does not have any financial interest in the subject company (ies);
- ISFL does not have actual or beneficial ownership of 1 % or more in the subject company (ies);
- Directors may have actual or beneficial ownership of 1 % or more in the subject company (ies);
- ISFL does not have any material conflict of interest in the subject company(ies) at the time of publication of this document;
- ISFL has not received any compensation from the subject company (ies) in the past twelve months;
- ISFL has not managed or co-managed public offering of securities for the subject company (ies) in the past twelve months;
- ISFL has not received any compensation for investment banking or merchant banking or brokerage services or any other service from the subject company (ies) in the past twelve months;
- ISFL has not received any compensation or other benefits from the subject company (ies) or third party in connection with this document;
- None of the research analysts have served as an officer, director or employee of the subject company (ies);
- ISFL has not been engaged in the market making activity for the subject company (ies);

## DISCLOSURE

### GENERAL TERMS AND CONDITION/ DISCLAIMERS:

This document has been issued by ISFL and is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of security.

This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. However, we do not guarantee its accuracy and the information may be incomplete and condensed. Note however that, we have taken meticulous care to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any other employee of our company is in any way responsible for its contents. The Company's research department has received assistance from the subject company (ies) referred to in this document including, but not limited to, discussions with management of the subject company (ies). All opinions, projections and estimates constitute the judgment of the author as of the date of this document and these, including any other information contained in this document, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. While we would endeavor to update the information herein on reasonable basis, we are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent us from doing so.

Securities recommended in this document are subject to investment risks, including the possible loss of the principal amount invested. Any decision to purchase/sale securities mentioned in this document must take into account existing public information on such security or any registered prospectus. The appropriateness of a particular investment, decision or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved).

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject the company to any registration or licensing requirement within such jurisdiction. Further, this document is not directed or intended for distribution to the US taxpayers covered under US Foreign Account Tax Compliance Act (FATCA) provisions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction

This is just a suggestion and the company will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of the company. No matter contained in this document may be reproduced or copied without the consent of the company. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The information contained in this document is intended solely for the recipient and may not be further distributed by the recipient. The Company accepts no liability whatsoever for the actions of third parties.

The research analyst(s) of this document certifies that all of the views expressed in this document accurately reflect their personal views about those issuer(s) or securities. **Analyst's holding in the stocks mentioned in the Report: NIL**

## CONTACT DETAILS

Management	Designation	Email ID	Direct No. (+91-22)
Nandkishore Gupta	Managing Director	<a href="mailto:ngupta@indsec.com">ngupta@indsec.com</a>	6114 6101/02
Research Team	Designation [Sectors Covered]	Email ID	Direct No. (+91-22)
Jimeet M. Shah, CFA	Research Analyst (Cap Good, Infra & Midcap)	<a href="mailto:jimeets@indsec.co.in">jimeets@indsec.co.in</a>	6114 6109
Kimberly Paes	Sr. Research Associate (FMCG, Textiles & Midcap)	<a href="mailto:kimberlyp@indsec.co.in">kimberlyp@indsec.co.in</a>	6114 6111
Rishabh Kale	Sr. Research Associate (Auto, Auto Ancs & Midcap)	<a href="mailto:rishabhk@indsec.co.in">rishabhk@indsec.co.in</a>	6114 6116
Ayush Jain	Research Associate (Banking, Pharma & Midcap)	<a href="mailto:ayushjain@indsec.co.in">ayushjain@indsec.co.in</a>	6114 6140
Malay Shah	Research Associate (Cement, IT & Midcap)	<a href="mailto:malays@indsec.co.in">malays@indsec.co.in</a>	6114 6115
Deepesh Panchawala	Technical Analyst	<a href="mailto:deepeshp@indsec.co.in">deepeshp@indsec.co.in</a>	6114 6138
Institutional Sales Team	Designation	Email ID	Direct No. (+91-22)
Parag Shah	Sales Trader	<a href="mailto:parags@indsec.co.in">parags@indsec.co.in</a>	6114 6133
Vaibhav Shah	Sales Trader	<a href="mailto:vaibhavs@indsec.co.in">vaibhavs@indsec.co.in</a>	61146134

For additional information please contact: [research@indsec.co.in](mailto:research@indsec.co.in), or visit us at [www.indsec.co.in](http://www.indsec.co.in)