



CMP	316	Rating	BUY	Result (Rs.bn)	Q2FY19	Q2FY18	Q1FY19	Y/Y(%)	Q/Q(%)
Target	394	Upside	25%	Revenue	2.4	2.0	2.4	+24.1%	-0.4%
				EBITDA	0.4	0.3	0.3	+24.5%	+28.1%
				EBITDA(%)	14.9%	14.9%	11.6%	+4bps	+331bps
				PAT	0.2	0.1	0.1	+31.3%	+41.5%
				PAT(%)	8.0%	7.6%	5.7%	+44bps	+238bps
				EPS	3.44	2.62	2.43	+31.3%	+41.5%

Robust Growth led by volumes: Dollar Industries posted a revenue growth of 24.1% YoY to Rs 2.4bn with an underlying volume growth of 23.4% YoY led by strong performance of the economy segment.

OPM remains flat: EBITDA grew 24.5% YoY to Rs 0.4bn while OPM remained flat at 14.9% as decrease in RMAT costs (-684 bps YoY) was negated by an increase in Sub contract Exp (+685 bps YoY).

Strong operating performance, lower Interest and Dep costs drive PAT growth: PAT grew 31.3% YoY to Rs 195.3mn led by a strong operating performance, lower Interest exp (-23.7% YoY to Rs 35.1mn) and Depreciation (-7.8% YoY to Rs 27.3mn).

STOCK DETAILS

BSE Code	541403
NSE Code	DOLLAR
Market Cap (Rs bn)	1.8
Sector	Textiles– Readymade Apparels
Year End	March
52 w.High/Low	380/240
Avg. Monthly Turnover (Rs mn)	5.0
Shares in Issue (mn)	56.7
BSE Sensex	35261
NSE Nifty	10617

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	FY17	FY18	FY19E	FY20E
Total Revenue	8.9	9.8	11.0	12.1
EBIDTA	1.0	1.2	1.4	1.6
EBIDTA(%)	11.3%	12.6%	13.0%	13.4%
PAT	0.4	0.6	0.8	0.9
EPS (Rs.)	8.0	11.2	13.5	15.8
P/E (x)	39.4	28.2	23.4	20.1

Source: Company, Indsec Research

Key Takeaways:

Revenue Mix: The revenue break up for the qtr stood as follows: Bigboss contributed ~44% of sales while Regular segment contributed 36.5%. Missy's contribution stood at ~8% of revenues while Force Go Wear and Force NXT contributed ~6% and 3% respectively.

Economy brands drive growth: The company witnessed a strong uptick in demand with a volume growth of 23.4% YoY led by growth in their economy range of products. Missy also exhibited a strong growth and is expected to continue to grow steadily. The Force NXT brand however has witnessed a slowdown as the company has been re organizing the distribution and marketing strategy for the brand. This slow down is expected to continue for the next couple of qtrs with growth to be seen in FY20E. The company also plans on launching kiosks in malls for premium brands Missy and Force NXT in Dec' 18 to drive brand reach.

Focus on improving Working capital cycle: The company has been taking efforts to reduce the debtor days which has reduced by 5 days QoQ. The WC cycle has improved by ~10 days QoQ to ~160 days and the company expects a further improvement in the working capital cycle by ~5 days led by efforts to reduce debtor days by working with the distribution network going ahead.

Pepe Jeans JV: The JV has launched men's innerwear and athleisure in Southern India through Trade channels and Pepe Stores. The company gradually plans to move to the west region with these launches.

New launches: The company is working on launching athleisure under Big Boss and Force NXT in Dec'18 which is expected to help boost average selling price.

Valuation and View:

Dollar witnessed a robust growth during the qtr led by volumes. The company is focusing on improving the working capital cycle and increasing their retail base which could help drive further growth.

We have reduced our topline estimates by 5.5%/1.6% for FY19E/ FY20E respectively to account for slower than expected growth in Force NXT and to incorporate the mgmt guidance of ~14-15% growth in topline. Additionally we have reduced our other Income estimates by 81.1%/80.3% for FY19E /FY20E to incorporate lower than expected other income.

As a result of the above, our earnings estimates stand lower by 13.3%/8.1% to Rs 13.5 (Rs. 15.6)/Rs. 15.8 (Rs. 17.1) for FY19E/FY20E, respectively.

We now expect revenue to post a 10.9% CAGR to Rs 12.1bn while EBITDA is expected to grow at 14.3% CAGR to Rs 1.6bn over FY18- FY20E with OPM at 13.4% for FY20E.

At CMP of Rs 316 the stock is trading at 23.4x FY19E and 20.1x FY20E on expected earnings of Rs 13.5 and Rs 15.8 respectively. Given the uptick in volumes, improvement in WC cycle and growth prospects, we maintain our target PE multiple of 25x and assign it to our FY20E earnings of Rs. 15.8, thus arriving at a target price of Rs 394, which implies an upside of 25% from current levels. We assign a BUY call on the stock.

Stock Price movement from Initiation (25th Oct, 2017) to 15th November, 2018





SUMMARY INCOME STATEMENT

(in mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total Income	6,865	7,241	8,217	8,861	9,825	11,016	12,079
Cost Of Revenues (incl Stock Adj)	3,656	3,773	3,574	3,916	4,059	4,682	4,952
Gross Profit	3,209	3,468	4,643	4,945	5,766	6,334	7,126
Employee Cost	49	73	100	218	264	441	544
Other Operating Expenses	2,742	2,836	3,886	3,728	4,263	4,459	4,966
EBITDA	417	559	657	999	1,239	1,435	1,617
Other Income	34	65	83	14	20	22	24
Net Interest Exp.	156	202	194	198	179	133	120
Depreciation	88	114	137	148	122	162	167
Exceptional Items	0	0	0	0	0	0	0
PBT	206	308	409	668	958	1,162	1,354
Tax	69	113	145	233	318	395	460
Profit After Tax	137	194	264	435	640	767	894
Net Profit	137	194	264	435	640	767	894
EPS	3.5	5.0	6.8	8.0	11.2	13.5	15.8

SUMMARY BALANCE SHEET

(in mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Assets							
Net Block	504	854	837	748	684	571	452
Capital WIP	253	4	6	0	21	22	24
Intangible Assets under develop- ment	0	0	0	0	0	0	0
Other Non current Assets	2	3	6	7	41	42	44
Long term loans and advances	42	36	53	18	6	30	17
Current Assets							
Current Investment	0	0	0	0	0	0	0
Inventories	1,067	1,211	2,084	2,049	2,829	2,354	2,548
Trade receivables	1,414	1,852	1,932	2,265	2,717	2,656	2,879
Cash and cash equivalents	100	91	104	97	196	1,857	2,399
Short-term loans and advances	86	163	146	132	7	91	66
Other Current Assets	3	2	3	1	230	3	3
Total Current Assets	2,670	3,320	4,268	4,545	5,978	6,961	7,896
Current Liabilities & Provisions							
Short-term borrowings	1,026	1,266	1,501	1,389	1,250	950	750
Trade payables	624	785	1,018	934	1,127	1,328	1,423
Other current liabilities	292	337	482	255	353	493	503
Short-term provisions	20	2	64	154	1	3	5
Total Current Liabilities	936	1,123	1,563	1,343	1,481	1,824	1,931
Net Current Assets	1,735	2,196	2,704	3,201	4,498	5,137	5,965
Total Assets	2,535	3,093	3,608	3,975	5,250	5,803	6,502
Liabilities							
Share Capital	77	77	77	108	113	113	113
Reserves and Surplus	934	1,126	1,377	1,701	3,410	4,171	5,061
Total Shareholders Fund	1,012	1,204	1,455	1,809	3,524	4,285	5,174
Total Debt	1,416	1,804	2,053	2,050	1,700	1,400	1,200
Long Term Provisions	0	0	0	19	22	23	23
Other Long Term Liabilities	78	40	58	73	0	91	99
Net Deferred Tax Liability	29	45	41	23	4	5	6
Total Liabilities	2,535	3,093	3,608	3,975	5,250	5,803	6,502



SUMMARY CASH FLOW STATEMENT

(in mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	206	308	409	667	958	1,162	1,354
Depreciation & Amort., Total	88	114	137	148	122	162	167
After other adjustments	186	199	190	203	179	133	120
(Inc) / Dec in Working Capital	63	(489)	(561)	(540)	(1,108)	1,082	(269)
Taxes	(101)	(102)	(99)	(213)	(339)	(395)	(460)
Others	-	-	-	-	-	-	-
Cash from Ops.	442	30	76	266	(188)	2,144	912
Capital Expenditure & investments	(283)	(211)	(120)	(56)	(79)	(50)	(50)
Cash from Investing	(283)	(211)	(120)	(56)	(79)	(50)	(50)
Issue of Share capital	-	-	-	-	1,075	-	-
Net Borrowings	(94)	387	251	(4)	(350)	(300)	(200)
Others	(156)	(202)	(194)	(197)	(179)	(133)	(120)
Issuance of Dividend	(11)	(14)	-	(14)	-	-	-
Cash from Financing	(261)	171	57	(215)	546	(433)	(320)
Extraordinary receipts/payment	-	-	-	(1)	(180)	-	-
Net Change in Cash	(102)	(10)	13	(7)	99	1,661	542
BF Cash	202	100	91	104	97	196	1,857
Cash from Merger	-	-	-	-	-	-	-
END Cash	100	91	104	97	196	1,857	2,399

SUMMARY RATIOS

	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
<u>Profitability</u>							
Return on Assets	4.0%	4.6%	5.1%	8.2%	9.5%	10.1%	10.6%
Return on Capital	14.9%	17.0%	17.2%	22.4%	21.8%	22.8%	23.1%
Return on Equity	13.6%	16.2%	18.1%	24.0%	18.1%	17.9%	17.3%
<u>Margin Analysis</u>							
Gross Margin	46.7%	47.9%	56.5%	55.8%	58.7%	57.5%	59.0%
EBITDA Margin	6.1%	7.7%	8.0%	11.3%	12.6%	13.0%	13.4%
Net Income Margin	2.0%	2.7%	3.2%	4.9%	6.5%	7.0%	7.4%
<u>Short-Term Liquidity</u>							
Current Ratio	1.4x	1.4x	1.4x	1.7x	2.2x	2.5x	2.9x
Quick Ratio	0.8x	0.9x	0.7x	0.9x	1.2x	1.7x	2.0x
Avg. Days Sales Outstanding	75	93	86	93	101	88	87
Avg. Days Inventory Outstanding	57	61	93	84	105	78	77
Avg. Days Payables	33	40	45	38	42	44	43
<u>Long-Term Solvency</u>							
Total Debt / Equity	1.4x	1.5x	1.4x	1.1x	0.5x	0.3x	0.2x
EBITDA / Interest Expense	2.3x	2.5x	3.1x	4.4x	6.4x	9.7x	12.3x
<u>Valuation Ratios</u>							
EV/EBITDA	32.6x	25.0x	21.6x	19.2x	15.7x	12.2x	10.4x
PER	89.5x	63.1x	46.6x	39.5x	28.3x	23.4x	20.1x
P/B	12.1x	10.2x	8.4x	9.5x	5.1x	4.2x	3.5x

INDSEC Rating Distribution

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

ACCUMULATE : Expected total return between 10 to 25% 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.

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