



CMP	255	Rating	BUY
Target	354	Upside	39%

Revenue growth in line with estimates: Dollar Industries Revenue grew 9.4% YoY to Rs 3.0bn led by growth across portfolio.

Increase in material cost offset decrease in Sub-contract expenses: EBITDA grew 6.7% YoY to Rs 0.3bn while OPM contracted 29bps YoY to 11.6% as lower Sub-contract Exp (-416bps YoY) was negated by the rise in RMAT costs (+458bps YoY). Other Expenses were lower by 30 bps YoY while Employee Expenses was higher by 17bps YoY.

PAT growth on account of lower Effective Tax Rate: PAT grew 21.0% YoY to Rs 0.2bn led by operating performance and lower tax rate (18.1% vs 29.4%). Depreciation came in lower (13.1% YoY to Rs 26.8mn) while Interest cost was higher (+38.7% YoY to Rs 48.9mn).

STOCK DETAILS	
BSE Code	541403
NSE Code	DOLLAR
Market Cap (Rs bn)	14.5
Sector	Textiles– Readymade Apparels
Year End	March
52 w.High/Low	380/230
Avg. Monthly Turnover (Rs mn)	2.18
Shares in Issue (mn)	56.7
BSE Sensex	39,832
NSE Nifty	11,946

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	11.5	12.6
EBITDA	1.2	1.4	1.5	1.7
EBITDA(%)	13.4	13.2	13.5	13.9
PAT	0.6	0.7	0.8	0.9
PAT(%)	6.9	7.2	7.0	7.3
EPS (Rs.)	11.5	12.9	14.2	16.3
P/E (x)	22.1	19.6	17.9	15.7

Source: Company, Indsec Research

Result (Rs.bn)	Q4FY19	Q4FY18	Q3FY19	Y/Y(%)	Q/Q(%)
Revenue	3.0	2.7	2.4	+9.4%	21.8%
EBITDA	0.3	0.3	0.4	+6.7%	-6.5%
EBITDA(%)	11.6	11.8	15.1	-29bps	-350bps
PAT	0.2	0.2	0.2	+21.0%	+16.5%
PAT(%)	7.6	6.9	7.9	+73bps	-34bps
EPS	3.98	3.29	3.41	+21.0%	+16.5%

Key Takeaways:

Brandwise contribution: The revenue mix for the year stood as follows: Bigboss-42%, Champion-1%, Force Go Wear-4%; Force NXT-2%; Missy-8%, Regulars-36%; and Thermals-7%.

Higher cotton prices hamper gross margins during qtr: During the qtr, gross margin contracted 458bps YoY on back of higher yarn prices. However for FY19, gross margins improved 172bps to 57.9%.

Pepe jeans JV update: The company's product under JV with Pepe Jeans has received a good response in Southern India. The company achieved a turnover of Rs 60mn for FY19 considering the delay in launch. The management expects Rs 300mn revenue in FY20 as they roll out the JV products in North India.

Other Expenses higher for FY19: During the year, Other Expenses overshoot the budget on back of higher Ad spend and selling and distribution expenses as the company made efforts to invest in its brands to further drive penetration and increase its retail reach. Going ahead management has guided for a budget of Rs 900mn for Ad exp.

Increase in Working capital days: The company witnessed a spike in WC days to 170 days vs 156 days YoY led by higher inventory days (+13 days) due to athleisure stock. Debtor days was higher by 10 days while creditor days improved by 7days.

Valuation and View:

Dollar Industries' reported a healthy performance for the qtr with a 9.4%/6.7%/21.0% growth in Revenue/EBITDA/PAT respectively.

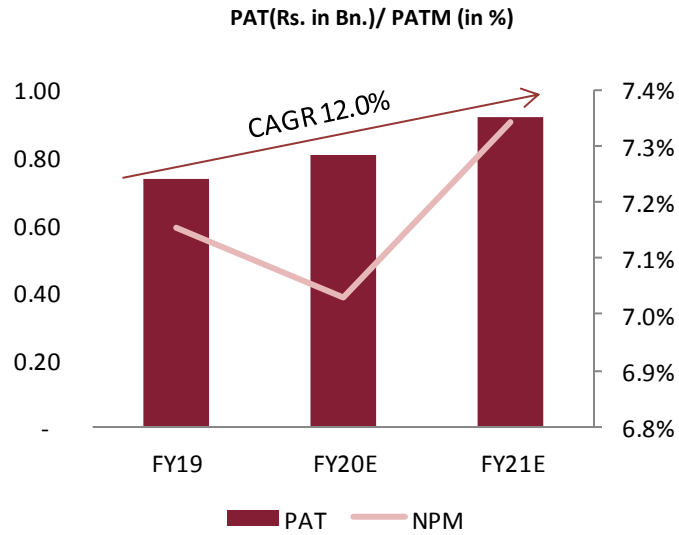
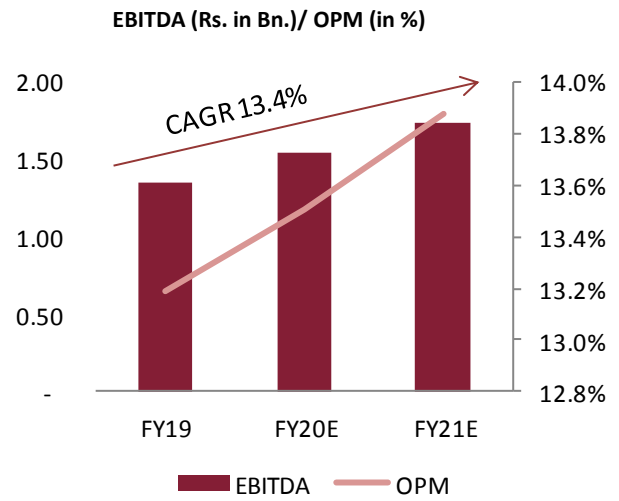
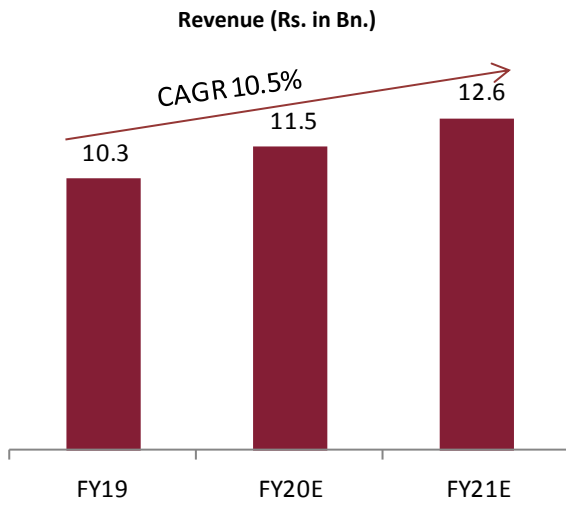
For FY19, Revenue and EBITDA were broadly in line with estimates, while PAT came in higher by ~5%. The premium brands Missy and Force NXT grew ~30% and ~5% for FY19. The build up of distribution channel and launch of athleisure under Force NXT could help provide an impetus to the growth of the premium segment.

Going ahead, the continuous investment in brands and revamp of distribution network to increase the range and reach at retail level is expected to further drive growth.

We expect a Revenue/EBITDA/PAT CAGR of 10.5%/13.4%/12% over FY19-FY21E with OPM at 13.9% for FY21E.

At CMP of Rs 255, the stock is trading at 17.9x FY20E/ 15.7x FY21E on expected earnings of Rs 14.2/ Rs 16.3 respectively. We roll forward our estimates and assign a target PE multiple of 24x on June 2020E EPS of Rs 14.7, given its steady performance, increasing retail reach and growth prospects thus arriving at a target price of Rs 354, which implies an upside of 39% from current levels. We assign a BUY call on the stock.

Financial Snapshot



SUMMARY INCOME STATEMENT						
(in mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Income	8,217	8,861	9,256	10,288	11,476	12,571
Cost Of Revenues	3,574	3,916	4,059	4,335	4,705	5,154
Gross Profit	4,643	4,945	5,196	5,952	6,771	7,417
Employee Cost	100	218	264	336	516	566
Other Operating Expenses	3,886	3,728	3,693	4,259	4,704	5,107
EBITDA	657	999	1,239	1,357	1,550	1,745
Other Income	83	14	20	22	23	25
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	1,261	1,443
Tax	145	233	318	358	454	519
Profit After Tax	264	435	640	753	807	923
Net Profit	264	435	640	753	807	923
EPS	6.8	8.0	11.5	13.0	14.2	16.3

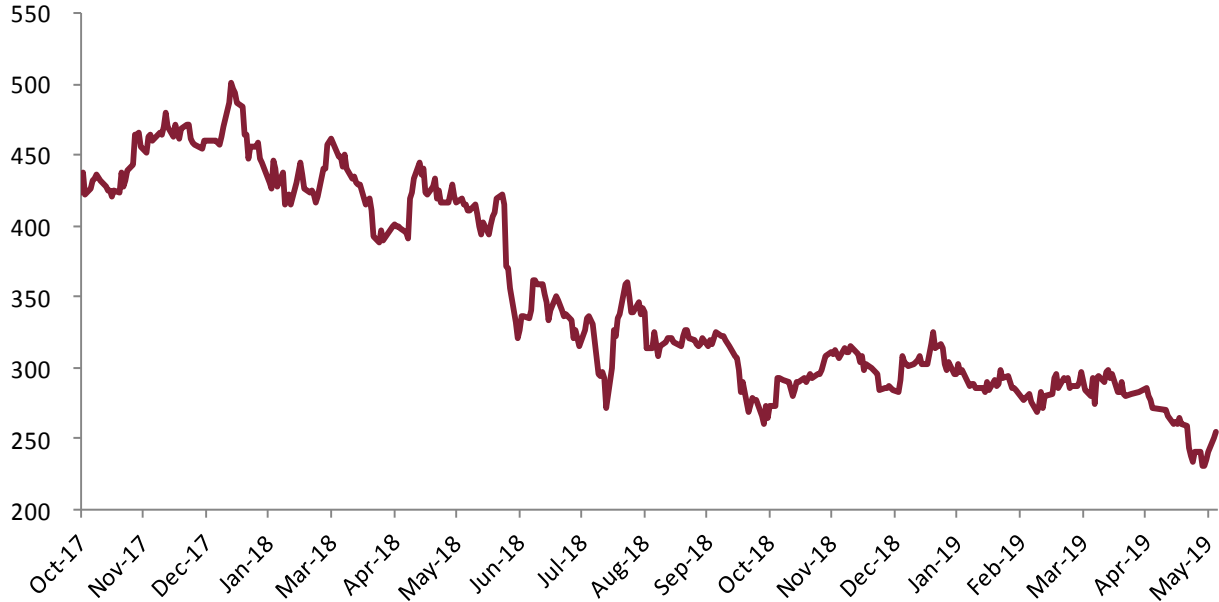
SUMMARY BALANCE SHEET						
(in mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
Assets						
Net Block	837	748	684	702	670	631
Capital WIP	6	0	21	20	20	20
Intangible Assets under develop- ment	0	0	0	0	0	0
Other Non current Assets	6	7	44	94	94	94
Long term loans and advances	53	18	6	6	7	8
Current Assets						
Current Investment	0	0	0	0	0	0
Inventories	2,084	2,049	2,829	3,246	3,458	3,789
Trade receivables	1,932	2,265	2,717	3,476	3,616	3,961
Cash and cash equivalents	104	97	196	215	646	1,156
Short-term loans and advances	146	132	7	2	3	4
Other Current Assets	3	1	227	318	318	318
Total Current Assets	4,268	4,545	5,976	7,258	8,041	9,228
Current Liabilities & Provisions						
Short-term borrowings	1,501	1,389	1,250	2,077	2,177	2,277
Trade payables	1,018	934	1,127	1,475	1,320	1,447
Other current liabilities	482	255	353	314	314	314
Short-term provisions	64	154	1	0	0	0
Total Current Liabilities	1,563	1,343	1,481	1,790	1,635	1,761
Net Current Assets	2,704	3,201	4,495	5,468	6,406	7,467
Total Assets	3,608	3,975	5,250	6,290	7,197	8,220
Liabilities						
Share Capital	77	108	113	113	113	113
Reserves and Surplus	1,377	1,701	3,410	4,043	4,850	5,774
Total Shareholders Fund	1,455	1,809	3,524	4,157	4,964	5,887
Total Debt	2,053	2,050	1,700	2,112	2,212	2,312
Long Term Provisions	0	19	22	21	21	21
Other Long Term Liabilities	58	73	0	0	0	0
Net Deferred Tax Liability	41	23	4	1	1	1
Total Liabilities	3,608	3,975	5,250	6,290	7,197	8,220

*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	1,261	1,443
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)	(508)	(551)
Taxes	(99)	(213)	(359)	(365)	(454)	(519)
Others	-	-	-	-	-	-
Cash from Ops.	76	265	(311)	90	610	699
Capital Expenditure & investments	(120)	(56)	(108)	(128)	(97)	(98)
Cash from Investing	(120)	(56)	(108)	(128)	(97)	(98)
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)	-	-	-
Cash from Financing	57	(215)	512	255	(82)	(91)
Adj.	-	-	-	(195)	-	-
Net Change in Cash	13	(7)	94	22	431	510
BF Cash	91	104	100	194	215	646
END Cash	104	97	194	215	646	1,156

SUMMARY RATIOS						
	FY16	FY17	FY18	FY19	FY20E	FY21E
<u>Profitability</u>						
Return on Assets	5.1%	8.2%	9.5%	9.1%	9.1%	9.3%
Return on Capital	17.2%	22.4%	21.8%	20.2%	20.1%	19.9%
Return on Equity	18.1%	24.0%	18.2%	18.1%	16.3%	15.7%
<u>Margin Analysis</u>						
Gross Margin	56.5%	55.8%	56.1%	57.9%	59.0%	59.0%
EBITDA Margin	8.0%	11.3%	13.4%	13.2%	13.5%	13.9%
Net Income Margin	3.2%	4.9%	6.9%	7.3%	7.0%	7.3%
<u>Short-Term Liquidity</u>						
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	1.3x
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
<u>Long-Term Solvency</u>						
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	7.9x	8.6x
<u>Valuation Ratios</u>						
EV/EBITDA	18.0x	15.8x	12.9x	12.1x	10.3x	9.0x
PER	37.5x	31.8x	22.1x	19.6x	17.9x	15.7x
P/B	6.8x	7.6x	4.1x	3.5x	2.9x	2.5x

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

Stock Price movement from Initiation (25th Oct, 2017) to 30th May, 2019


Recommendation History					
Date	Closing Price	TP	Periods (in mts)	Rating	Analyst
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.

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