

# Dollar Industries Ltd (DOLLAR IN)

Strong performance; continued growth momentum

INDIA | SMALLCAP | RESULT UPDATE

29 January 2022

## Key takeaways from Q3FY22

- The results were above expectation, Revenue grew by 22.5% yoy to Rs. 3.8 bn,
- EBIDTA grew by 49% yoy to Rs. 643 mn and EBIDTA margins were 16.8 vs 13.8% in Q3 FY21. PAT increased by 59.7% yoy to Rs. 443.5 mn
- Key performance indicators: 1) Volume growth of 11%, 2) on boarded 55 distributors for channel financing, 3) Working capital days improved to 154 days from 178 days in FY21, 4) Modern retail contributed 3.2% of revenue in 9M FY22.

## Major Conference call highlights:

- Company took price hike in Dec 21 and planning to take another price hike in Feb 22 to mitigate the rising yarn prices.
- Thermal sales were lower than expectations due to delayed winter.
- The planned launch of Brazier was impacted by Covid led disruption; it would be launched in Mar 22 vs earlier plans of January 22.
- Dollar would be launching entire range of women athleisure wear by Q1 FY23.
- Out of total capex guidance of Rs. 115 crs, Rs. 54 crs would be spent till FY22 and balance Rs. 61 crs will be spent in FY23. This would be reflected in operational efficiencies and supply chain improvement.
- Dollar launched its first EBO (FOFO model) at Ayodhya in October, 2021. Plans to open 5-6 EBOs in FY22 (will be launched in UP and Rajasthan)
- Update on Project Lakshya: 1) enrolled 115 distributors till December 21 (24 net addition on qoq basis), 2) 53360 retail outlets enrolled (vs. 42451 in Q2 FY22), 3) Working capital days reduced to 154 days (161 days in Q2 FY22) from 178 days in FY21, 4) 7.4% of domestic sales from Lakshya distributors for 9M FY22, 5) it would take more than two years for complete roll out of project Lakshya across the country.
- Management re-iterated revenue guidance of Rs. 20 bn with EBIDTA margins of 18-19% by FY25, Gross margins could be 37-38%.

## 9M FY22 highlights:

- Revenue increased by 34% yoy to Rs. 9.8bn, Volume growth of 14% balance would be mix of price hike and change in product mix.
- EBIDTA stood at Rs. 1.6 bn, 54% yoy growth; EBIDTA margins grew by 210 bps to 16.8%
- PAT increased by 68% yoy to Rs. 1.1 bn
- Exports stood at 9% of sales, Modern retail 3% of sales, Athleisure 11% of sales

## Outlook and view:

We believe that the growth momentum would continue due to structural drivers for the industry coupled with company's focused approach through project Lakshya. Despite of good run-up in the stock, we remain positive on the company due to company specific factors like 1) Target to increase the retail universe to 3-4 lakhs (from 1.3 lakhs currently) in next four year, 2) Introduction of new product categories and 3) Focus on tightening working capital cycle.

At current price of Rs. 609 the stock is trading at 16.5x FY24E EPS of Rs. 37 and 11.3x EV / EBIDTA. We recommend a buy with price target of Rs. 739, implying a 21% upside from current level.

## Key Financials:

Year	Net sales	EBITDA	PAT	EPS	P/E	EV/EBITDA	P/BV	Rs. Mn	
								ROE	ROCE
FY21	10371	1383	855	15.1	15.2	10.3	2.4	12.5%	13.5%
FY22E	13731	2286	1503	26.6	22.9	15.6	5.2	15.9%	18.6%
FY23E	16047	2647	1762	31.2	19.5	13.4	4.3	22.7%	26.7%
FY24E	18567	3098	2088	36.9	16.5	11.3	3.5	21.7%	26.3%

## BUY

CMP Rs 609

TARGET Rs 739 (+21%)

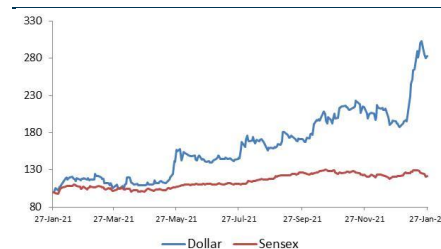
## COMPANY DATA

O/S SHARES (MN) :	56.7
MARKET CAP (RS BN) :	36.0
MARKET CAP (USD MN) :	480.5
52 - WK HI/LO (RS) :	666/ 215
TRADING VOL. 3M (000) :	367.3
PAR VALUE (RS) :	2

## SHARE HOLDING PATTERN, %

PROMOTERS :	72.9
FII / FPI :	0.2
FI / MF :	1.7
Corp Bodies:	9.3
PUBLIC & OTHERS :	15.9

## PRICE Vs. SENSEX



Source: Phillip Capital India Research

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## Quarterly Financial snapshot

Particulars	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Remarks
Net Sales	3117.9	3083.1	2045.8	3906.7	3820.5	
Yoy Growth	22.4%	29.7%	27.9%	51.8%	22.5%	11% volume growth
Total Expenditure						
RM Consumption	1400.0	1318.7	774.9	1790.6	1867.5	
Subcontract cost	593.6	689.0	460.6	766.4	642.6	
Employee Cost	120.0	137.1	128.2	154.5	169.6	
Other Expenses	572.7	627.1	328.8	547.6	497.8	A&P spend could be 5.5% for the current year
<b>Total Expenditure</b>	<b>2686.3</b>	<b>2771.9</b>	<b>1692.5</b>	<b>3259.1</b>	<b>3177.5</b>	
<b>PBIDT (Excl OI)</b>	<b>431.7</b>	<b>311.2</b>	<b>353.4</b>	<b>647.7</b>	<b>643.1</b>	
Yoy Growth	29.2%	48.2%	24.0%	84.5%	49.0%	
Other Income	6.5	21.3	9.1	3.3	15.0	
Depreciation	37.7	48.8	38.3	40.2	42.4	
EBIT	400.4	283.7	324.2	610.7	615.7	
Interest	17.8	13.0	13.7	16.5	19.7	
Add: Share of Profit/Loss	-6.1	-7.5	-5.7	-5.7	-0.6	
PBT	376.5	263.2	304.8	588.5	595.4	
Tax	98.9	69.7	79.4	151.0	151.9	
<b>Profit After Tax</b>	<b>277.7</b>	<b>193.5</b>	<b>225.4</b>	<b>437.5</b>	<b>443.5</b>	
Yoy Growth	47.7%	58.6%	40.0%	98.9%	59.7%	
EPS	4.9	3.4	4.0	7.7	7.8	
Effective Tax Rate	26.3%	26.5%	26.1%	25.7%	25.5%	

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RM Consumption	44.9%	42.8%	37.9%	45.8%	48.9%
Subcontract cost	19.0%	22.3%	22.5%	19.6%	16.8%
Employee Cost	3.8%	4.4%	6.3%	4.0%	4.4%
Other Expenses	18.4%	20.3%	16.1%	14.0%	13.0%
EBIDTA	13.8%	10.1%	17.3%	16.6%	16.8%
PAT	8.9%	6.3%	11.0%	11.2%	11.6%

Source: Phillip Capital India Research

Particulars	9MFY21	9MFY22	Remarks
Net Sales	7286.4	9773.1	
Yoy Growth	-0.4%	34.1%	Volume growth 14%
Total Expenditure			
RM Consumption	3134.0	4433.0	
Subcontract cost	1418.8	1869.6	
Employee Cost	309.2	452.3	
Other Expenses	1354.9	1374.1	
<b>Total Expenditure</b>	<b>6216.8</b>	<b>8129.0</b>	
<b>PBIDT (Excl OI)</b>	<b>1069.6</b>	<b>1644.1</b>	
Yoy Growth	27.9%	53.7%	
Other Income	13.6	27.4	
Depreciation	105.9	120.9	
EBIT	977.3	1550.6	
Interest	74.9	49.8	
Add: Share of Profit/Loss	-12.2	-11.9	
PBT	890.2	1488.8	
Tax	230.5	382.3	
<b>Profit After Tax</b>	<b>659.7</b>	<b>1106.5</b>	
Yoy Growth	46.0%	67.7%	
EPS	11.6	19.4	
Effective Tax Rate	25.9%	25.7%	

Source: Phillip Capital India Research

**Income Statement**

Y/E March, Rs. Mn	FY21	FY22E	FY23E	FY24E
Net sales	10371	13731	16047	18567
Growth %	7.2%	32.4%	16.9%	15.7%
Raw Material Cost	4453	6042	6980	7984
Subcontracting cost	2108	2746	3209	3713
Employee costs	446	602	723	867
Other expense	1981	2055	2488	2905
EBITDA	1383	2286	2647	3098
Growth %	2.0%	65.3%	15.8%	17.1%
EBIDTA margin (%)	13.3%	16.7%	16.5%	16.7%
Depreciation	155	172	198	221
EBIT	1228	2114	2449	2877
Interest	88	94	89	89
Other income	35	34	39	46
Share of JV	-20	-23	-17	-13
PBT	1155	2031	2382	2821
Less: Taxation	300	528	619	733
Effective tax rate (%)	26.0%	26.0%	26.0%	26.0%
Recurring PAT	855	1503	1762	2088
Growth %	16.2%	75.7%	17.3%	18.5%
PAT margin (%)	8.2%	10.9%	11.0%	11.2%
Wtd. Avg. Shares (Mn)	57	57	57	57

**Balance Sheet**

Y/E March, Rs. Mn	FY21	FY22E	FY23E	FY24E
Equity capital	113	113	113	113
Reserves	5254	6514	7992	9743
Net worth	5367	6627	8105	9856
Non Current Liabilities	95	90	104	120
Current Liabilities	2910	3295	3531	3827
<b>Total liabilities</b>	<b>8372</b>	<b>10012</b>	<b>11739</b>	<b>13803</b>
Net block	788	1100	1635	1656
CWIP	147	110	0	0
Right of use asset	64	54	48	48
Invnt in JV	39	116	248	385
Investments	6	6	6	6
Others	102	136	159	186
Current assets				
Inventories	3339	3468	4061	4550
Debtors	3309	4039	4458	5158
Cash	73	314	341	905
Loans & Advances	4	5	6	7
Other Current assets	501	664	777	901
<b>Total assets</b>	<b>8372</b>	<b>10012</b>	<b>11739</b>	<b>13803</b>

**Cash Flow**

Y/E March, Rs. Mn	FY21	FY22E	FY23E	FY24E
PBT	1155	2031	2382	2821
Depreciation	155	172	198	221
Tax paid	300	528	619	733
Change in WC/other adjustment	645	638	891	1018
<b>Cash Flow from Operating activities</b>	<b>1655</b>	<b>1037</b>	<b>1070</b>	<b>1290</b>
Capital Expenditure	250	514	749	379
Change in Investments	0	0	0	0
Others	4	34	24	27
<b>Cash Flow from Investing activities</b>	<b>254</b>	<b>548</b>	<b>773</b>	<b>406</b>
Change in Equity	-96	-243	-284	-337
Change in Debt	-10	-23	0	0
Others	6	18	14	17
<b>Cash Flow from Financing activities</b>	<b>-100</b>	<b>-248</b>	<b>-271</b>	<b>-320</b>

**Valuation Ratios**

Y/E March, Rs. Mn	FY21	FY22E	FY23E	FY24E
EPS	15.1	26.6	31.2	36.9
Book NAV / Share	94	116	142	173
DPS	2.4	4.3	5.0	5.9

**Growth Ratios**

Net Sales (%)	7.2%	32.4%	16.9%	15.7%
EBIDTA (%)	32.0%	65.3%	15.8%	17.1%
PAT (%)	48.4%	75.7%	17.3%	18.5%

**Return Ratios**

ROA (%)	10.2%	15.0%	15.0%	15.1%
ROE (%)	15.9%	22.7%	21.7%	21.2%
ROCE (%)	18.6%	26.7%	26.3%	26.2%

**Turnover Ratios**

Asset Turnover (x)	1.2	1.4	1.4	1.3
Fixed asset turnover (x)	7.4	7.4	6.3	6.8
Receivable Days	120	107	101	95
Inventory Days	112	111	111	107
Payable Days	46	50	50	50

**Liquidity Ratios**

Current Ratio (x)	2.5	2.6	2.7	3.0
Interest Cover (x)	14.0	22.4	27.5	32.4
Total Debt / Equity (x)	0.2	0.2	0.1	0.1

**Valuation Ratios**

PER (x)	15.2	22.9	19.5	16.5
Price / Book (x)	2.4	5.2	4.3	3.5
Price / Sales (x)	1.3	2.5	2.2	1.9
EV / Sales (x)	1.4	2.6	2.2	1.9
EV / EBIDTA (x)	10.3	15.6	13.4	11.3

Source: Phillip Capital India Research

## Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

### Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

### Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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