

# Dollar Industries Ltd (DOLLAR IN)

Inline quarter; Growth momentum to continue

INDIA | SMALLCAP | RESULT UPDATE

25 May 2022

## Top takeaways from Q4FY22:

- Company's Q4FY22 performance was in line with our estimate led by price hike benefit.
- Volume de-grew by 1.5-2% on YoY basis due to high base and uncertain macro environment in first half of the quarter.
- Lower A&P spend and other expense aid to operating margin expansion to 14.9% v/s 10.1% on YoY basis. EBITDA grew by 78% yoy to Rs 0.55bn and PAT grew by 89% yoy to Rs 0.36bn.

## FY22 highlights:

- Revenue increased by 30% yoy to Rs. 13.5bn whereas volume growth was up 9% on YoY basis. Export grew 112% yoy to Rs 1.32bn
- Operating profit was up by 59% yoy to Rs 2.2 bn and EBITDA margin increased by 300bps to 16.3% led by lower operating expense.
- PAT increased by 72% yoy to Rs. 1.47bn.
- Company's working capital cycle improved to 154 days from 178 days in FY21 led by wider implementation of project lakshya and introduction of channel financing.

## Major Conference call update:

- During the year, company expanded product basket under women's category and launched Dollar Woman Brassiere in selective markets of UP and East India; it has received good response.
- During the year, company added 150 distributors under channel financing mode and it targets to cover 60% distributors by FY25.
- RM scenario:** the company witnessed sharp jump in cotton prices from Rs 75,000 per candy of 356kg in Jan 2022 to Rs 115000 per candy in May 2022. The historical average price of cotton candy was Rs 40,000-44,000.
- In order to protect margins, the company took 4-4.5% price hike in April 2022 and plans to take another price hike of similar proportion by mid June 2022.
- Project Lakshya update:** During FY22, company added 142 distributors and plans to add more 200 distributors in FY23. It would focus on markets like North East, Haryana and Bihar.
- Capex outlook:** the management guides to commence incremental spinning capacity and integrated warehouse in Kolkata by Oct and November 2022 respectively. Total capex for the project is Rs 1.15bn.
- FY23 outlook:** the company expects to grow 9-10% on volume terms and 15-17% on value term with Ebitda margin of 17%.
- Working capital scenario:** the management aims to reduce working capital days by 10-12 days led by further improvement in receivable cycle.

## Outlook and view:

With focus approach through project Lakshya, the company is gaining incremental market share which is aiding to overall growth. 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. 477 the stock is trading at 13.3x FY24E EPS of Rs. 34.8 We recommend a buy with price target of Rs. 695, implying a 46% upside from current level.

## Key Consolidate financials (Rs Mns):

Year	Net sales	EBITDA	PAT	EPS	P/E	EV/EBITDA	P/BV	ROE	ROCE
FY21	10371	1383	855	15.1	15.2	10.3	2.4	12.5%	13.5%
FY22	13503	2198	1471	26.0	21.1	15.2	4.7	15.9%	18.6%
FY23E	15656	2534	1702	30.1	15.8	10.6	3.3	21.9%	23.2%
FY24E	17672	2890	1964	34.8	13.7	8.9	2.7	20.7%	24.9%

## BUY

CMP Rs 477

TARGET Rs 695(+46%)

## COMPANY DATA

O/S SHARES (MN) :	56.7
MARKET CAP (RS BN) :	26.32
MARKET CAP (USD MN) :	33.96
52 - WK HI/LO (RS) :	666/297
TRADING VOL. 3M (000) :	117.4
PAR VALUE (RS) :	2

## SHARE HOLDING PATTERN, %

PROMOTERS :	72.91
FII / FPI :	0.30
DII/MF :	1.68
Corp Bodies:	0.00
PUBLIC & OTHERS :	25.10

As on March 2022

## PRICE Vs. SENSEX



Source: Phillip Capital India Research

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## Quarterly Financial snapshot

Dollar Industries Ltd - Consolidate- [Rs. mn]						
Particulars	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Remarks
Net Sales	3083.0	2046.0	3907.0	3821.0	3730.0	volume degrowth of 1.5-2% yoy basis
Yoy Growth	30.0%	28.0%	52.1%	22.4%	21.0%	
Total Expenditure						
RM Consumption	1319.0	775.0	1790.0	1867.0	1713.0	
Subcontract cost	689.0	461.0	766.0	643.0	818.0	
Employee Cost	137.0	128.0	154.0	170.0	187.0	
Other Expenses	627.0	329.0	548.0	498.0	458.0	lower adspend on yoy basis
<b>Total Expenditure</b>	<b>2772.0</b>	<b>1693.0</b>	<b>3258.0</b>	<b>3178.0</b>	<b>3176.0</b>	
<b>PBIDT (Excl OI)</b>	<b>311.0</b>	<b>353.0</b>	<b>649.0</b>	<b>643.0</b>	<b>554.0</b>	
Other Income	21.0	9.0	3.0	15.0	38.0	
Depreciation	49.0	38.0	40.0	42.0	45.0	
EBIT	283.0	324.0	612.0	616.0	547.0	
Interest	13.0	14.0	17.0	20.0	46.0	
Add: Share of Profit/Loss	-7.0	-6.0	-6.0	-0.5	-7.0	
PBT	263.0	304.0	589.0	595.5	494.0	
Tax	70.0	79.0	151.0	152.0	129.0	
<b>Profit After Tax</b>	<b>193.0</b>	<b>225.0</b>	<b>438.0</b>	<b>443.5</b>	<b>365.0</b>	
Yoy Growth	53.8%	43.8%	86.4%	57.1%	89.1%	
Equity Capital	110.0	110.0	110.0	110.0	110.0	
Face Value (In Rs)	2.0	2.0	2.0	2.0	2.0	
No of shares	57.0	57.0	57.0	57.0	57.0	
EPS	3.4	3.9	7.7	7.8	6.4	
Effective Tax Rate	26.6%	26.0%	25.6%	25.5%	26.1%	

Source: Company, Phillip Capital.

## Consolidate financial

### Income Statement

Y/E March, Rs. Mn	FY21	FY22	FY23E	FY24E
Net sales	10371	13503	15656	17672
Growth %	7.2%	30.2%	15.9%	12.9%
Raw Material Cost	4453	6146	7006	7777
Subcontracting cost	2108	2687	3063	3431
Employee costs	446	640	755	891
Other expense	1981	1832	2297	2682
EBITDA	1383	2198	2534	2890
Growth %	32.0%	58.9%	15.3%	14.1%
EBIDTA margin (%)	13.3%	16.3%	16.2%	16.4%
Depreciation	155	166	189	214
EBIT	1228	2032	2345	2676
Interest	88	96	90	77
Other income	35	65	62	70
Share of JV	-20	-19	-17	-14
PBT	1155	1982	2300	2655
Less: Taxation	300	511	598	690
Effective tax rate (%)	26.0%	25.8%	26.0%	26.0%
Recurring PAT	855	1471	1702	1964
Growth %	48.4%	72.0%	15.7%	15.4%
PAT margin (%)	8.2%	10.9%	10.9%	11.1%
Wtd. Avg. Shares (Mn)	57	57	57	57

### Balance Sheet

Y/E March, Rs. Mn	FY21	FY22	FY23E	FY24E
Equity capital	113	113	113	113
Reserves	5254	6597	8128	9922
Net worth	5367	6710	8241	10035
Non Current Liabilities	95	111	114	125
Current Liabilities	2910	4287	3667	3589
<b>Total liabilities</b>	<b>8372</b>	<b>11108</b>	<b>12022</b>	<b>13748</b>
Net block	788	813	1348	1363
CWIP	147	496	0	0
Right of use asset	64	93	124	154
Investments	6	6	3	3
Others	141	285	348	429
Current assets				
Inventories	3339	4752	3775	4050
Debtors	3309	4021	4075	4357
Cash	73	5	1606	2551
Loans & Advances	4	0	0	0
Other Current assets	501	640	744	840
<b>Total assets</b>	<b>8372</b>	<b>11111</b>	<b>12022</b>	<b>13748</b>

Source: Company, Phillip Capital

### Cash Flow

Y/E March, Rs. Mn	FY21	FY22	FY23E	FY24E
PBT	1155	1982	2300	2655
Depreciation	155	166	189	214
Tax paid	300	511	598	690
Change in WC/other adjustment	645	883	-200	733
<b>Cash Flow from Operating activities</b>	<b>1655</b>	<b>754</b>	<b>2091</b>	<b>1446</b>
Capital Expenditure	250	581	290	309
Change in Investments	0	-3	0	0
Others	4	132	32	33
<b>Cash Flow from Investing activities</b>	<b>254</b>	<b>710</b>	<b>322</b>	<b>341</b>
Change in Equity	-96	-128	-171	-171
Change in Debt	-10	-16	-7	0
Others	6	8	10	11
<b>Cash Flow from Financing activities</b>	<b>-100</b>	<b>-136</b>	<b>-168</b>	<b>-160</b>

### Valuation Ratios

Y/E March, Rs. Mn	FY21	FY22	FY23E	FY24E
EPS	15.1	26.0	30.1	34.8
Book NAV / Share	94	118	145	176
DPS	2.4	3.0	3.0	3.0

### Growth Ratios

Net Sales (%)	7.2%	30.2%	15.9%	12.9%
EBIDTA (%)	32.0%	58.9%	15.3%	14.1%
PAT (%)	8.2%	10.9%	10.9%	11.1%

### Return Ratios

ROA (%)	10.2%	13.2%	14.2%	14.3%
ROE (%)	15.9%	21.9%	20.7%	19.6%
ROCE (%)	18.6%	23.2%	24.9%	24.3%

### Turnover Ratios

Asset Turnover (x)	1.2	1.2	1.3	1.3
Fixed asset turnover (x)	7.4	8.7	6.9	7.2
Receivable Days	120	99	95	90
Inventory Days	112	109	105	100
Payable Days	46	54	54	50

### Liquidity Ratios

Current Ratio (x)	2.5	2.2	2.8	3.3
Interest Cover (x)	14.0	21.2	26.1	34.9
Total Debt / Equity (x)	0.2	0.3	0.1	0.1

### Valuation Ratios

PER (x)	15.2	21.1	15.8	13.7
Price / Book (x)	2.4	4.7	3.3	2.7
Price / Sales (x)	1.3	2.3	1.7	1.5
EV / Sales (x)	1.4	2.5	1.7	1.4
EV / EBIDTA (x)	10.3	15.2	10.6	8.9

## 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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