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Dollar Industries

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RECO: UNRATED

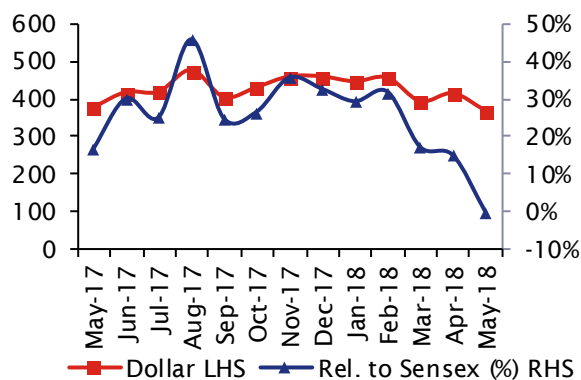
CMP: INR 335

KEY DATA

Shares Outstanding (Cr)	5.67
Market Cap. (INR Cr)	1,980
52-W High/Low Range (INR)	2
Promoter (%)	56.8%
Institutions (%)	9.6%
Public & Others (%)	33.6%
Avg Daily Volume(12 months)	37,690
Value (INR cr)	3.23
1/3/12 Month Rel. Performance (%)	-11.5/-23/-15.8
1/3/12 Month Abs. Performance (%)	-11.1/-19/-2.4

Source: Company, JMFS Research

Relative Price Performance



Source: Company, JMFS Research

(INR Cr)	FY 14	FY 15	FY 16	FY 17	FY 18
Sales	687	724	822	886	983
Growth(%)	18%	5%	13%	8%	11%
EBITDA	42	56	66	100	125
Margin	6.1%	7.7%	8.0%	11.3%	12.7%
Net Profit	14	19	26	43	65
Growth	22.8%	41.6%	35.8%	64.5%	49.2%
EPS	3.5	5.0	6.8	8.0	11.4
EV/EBITDA	46.7	35.5	30.6	20.1	15.6
ROE (%)	13.6	16.1	18.1	24.0	18.4
ROCE (%)	13.3	14.6	14.7	21.9	22.3
P/E (x)	19	13	10	42	29

Source: Company, JMFS Research

Fig in Cr

Dollar Industries

Dollar Industries is one of the leading, branded knitted wear manufacturer in India. It has created a self-owned & sustainable and portfolio of brands (Dollar Bigboss, Missy, Force NXT, Champion, Ultra Thermals, Force Go wear) which has presence across varied segments. Over the years it has transformed itself from a mass market brand (86% of revenues in 2006) to a house of brands focusing mainly on mid market & premium segment. Its revenue & PAT has grown at CAGR 14% & 39% FY12-18 along with margin expansion of 540 bps from 7.3% in FY13 to 12.7% in FY18 which was mainly driven by premiumisation & in-house manufacturing (0% in FY13 to 30% in FY18).

‘Premiumisation’ & product expansion the way forward

Dollar predominantly has a superior brand equity & positioning in the mass market & affordable brand category. Going forward with the launch of brand Force NXT & JV (Dollar 50% stake) with Pepe Jeans it aims to augment its presence in premium & super premium segment. In the women’s wear (6.7% of FY18 revenue) it plans to expand its presence under the brand ‘Missy’ in the brassiere & leggings segment. As on FY18 premium, mid & mass market segment contributed 21%, 45%, 34% respectively of overall revenues. Dollar average A&P spend for FY15-17 has been 8.4% of overall revenues which is highest in the innerwear industry. As per management indications, going forward it aims premium segment (MRP>125) to contribute ~25-28% of overall revenues by FY20E.

Backward integrated business model to aid better operating efficiency

In the innerwear industry fabric feel, colour, design, print are the key attributes which influences the consumer behaviour. Dollar as a focused strategy, has adopted a blended (30% in-house 70% job work) business model which has reduced reliance on job work and controls entire value chain. It has invested in complete backward integration- from in-house spinning, knitting, dyeing, processing, cutting, elastic production till final product delivery. In-house manufacturing (0% in FY13 to 30% in FY17) with economies of scale along with centralized supervision has enhanced its ROE & ROIC from 12.6% and 11.2% in FY13 to 21% and 18% in FY17.

Branded apparels opportunity is BIG; structural drivers at play

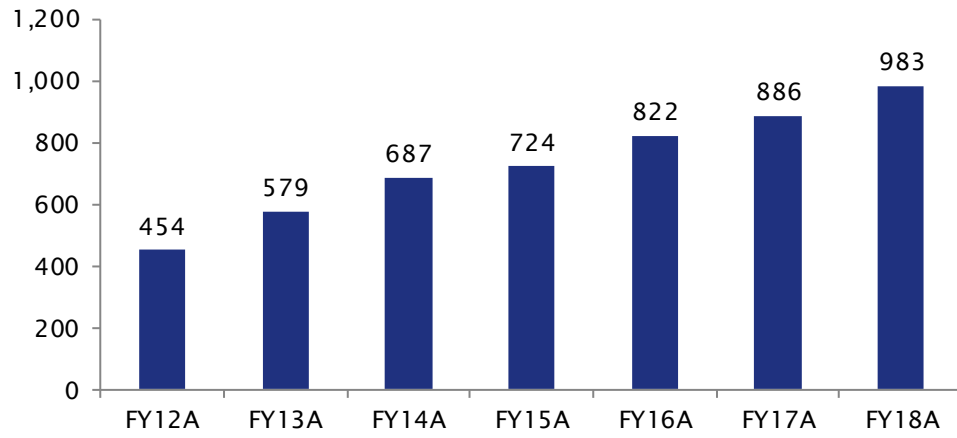
Overall innerwear industry estimated to be ~7% (INR 24,000 Cr) of entire Indian apparel industry. Organized pie contributes ~45-50% of the industry. There has been a huge shift from need-driven to aspiration driven buying across consumer facing categories which includes intimate & leisure wear.

Valuation

Dollar revenue & PAT has grown at CAGR 14% & 39% FY12-18.. Going forward management aims to generate positive FCF with minimal capex and margin improvement backed by premiumisation. Dollar Industries currently trades at 29x FY18 P/E (~60% discount to market leader Page Industries).

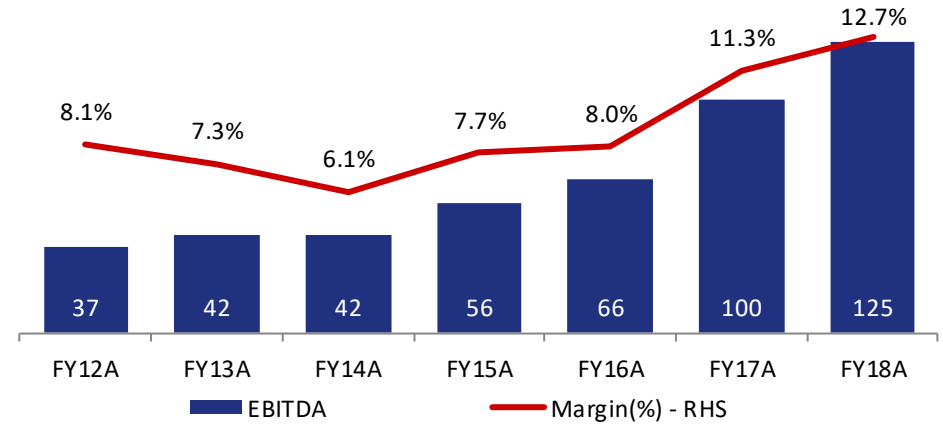
Focus Charts- I

Exhibit 1: Revenue grew at CAGR 13.8 % over FY12-18



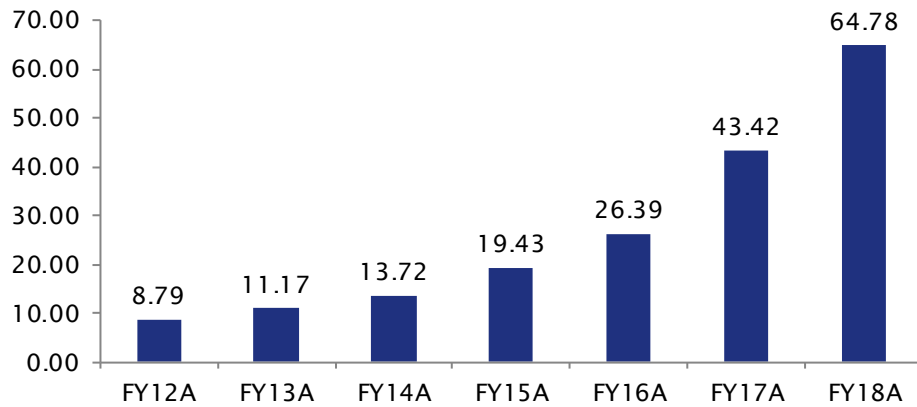
Source: Company, JMFS Research

Exhibit 2: EBITDA Margins improved by 460 bps FY12-18



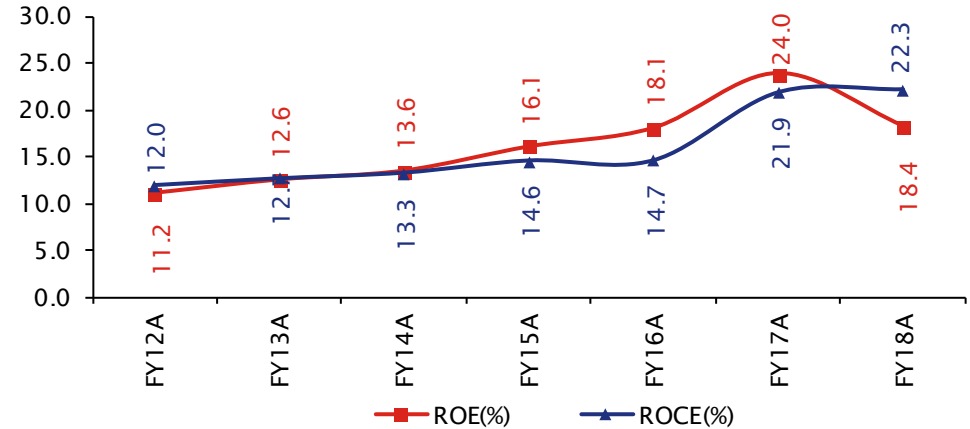
Source: Company, JMFS Research

Exhibit 3: PAT grew at CAGR 39.5% over FY12-18



Source: Company, JMFS Research

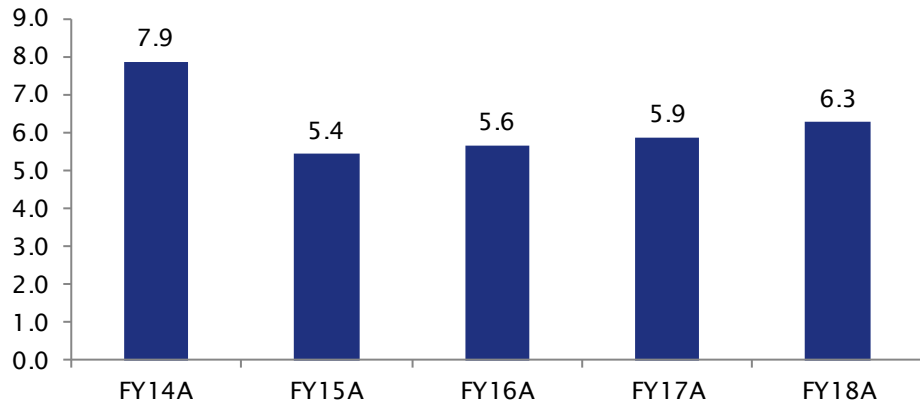
Exhibit 4: Improvement in Return Ratio's



Source: Company, JMFS Research

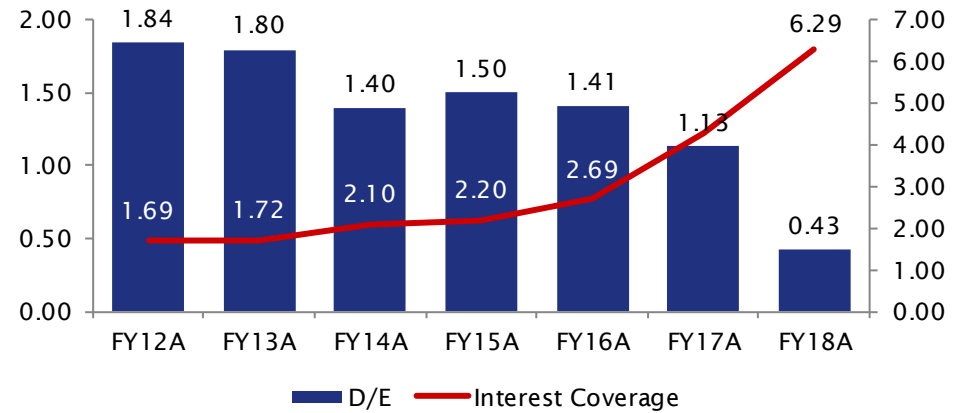
Focus Charts-II

Exhibit 5: Steady growth in Fixed Asset Turnover Ratio



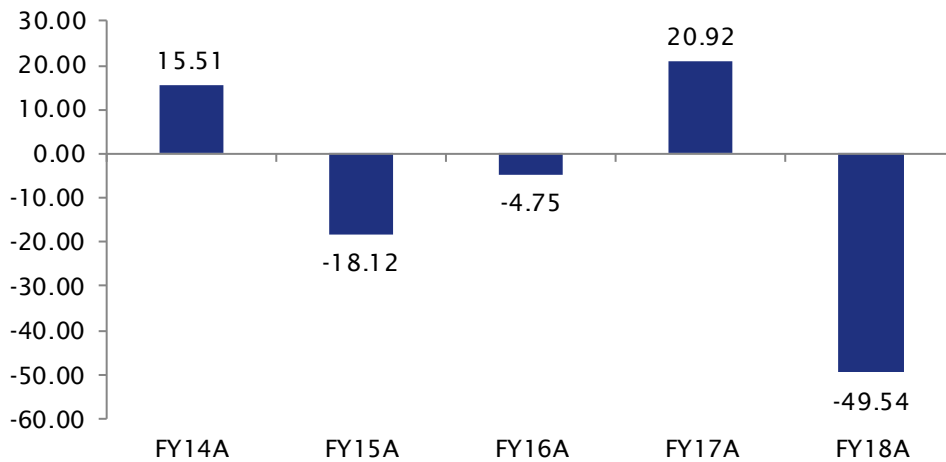
Source: Company, JMFS Research

Exhibit 6: Debt Equity & Interest Coverage to improve



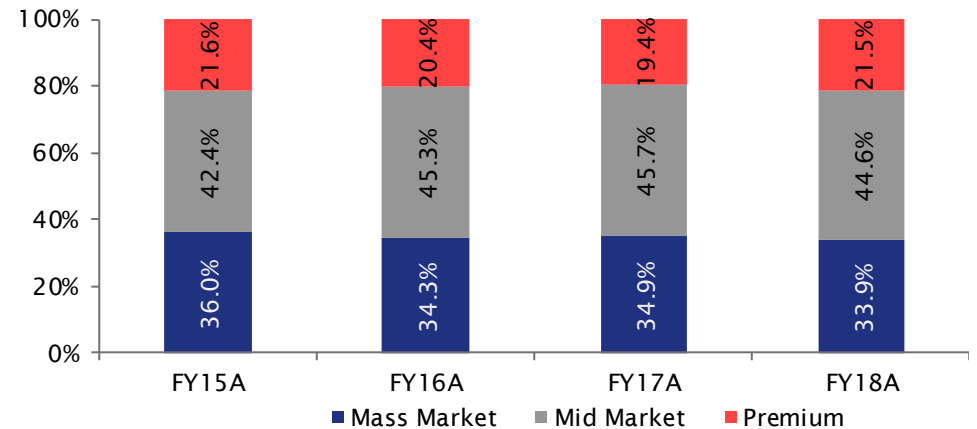
Source: Company, JMFS Research

Exhibit 7: FCF Trend



Source: Company, JMFS Research

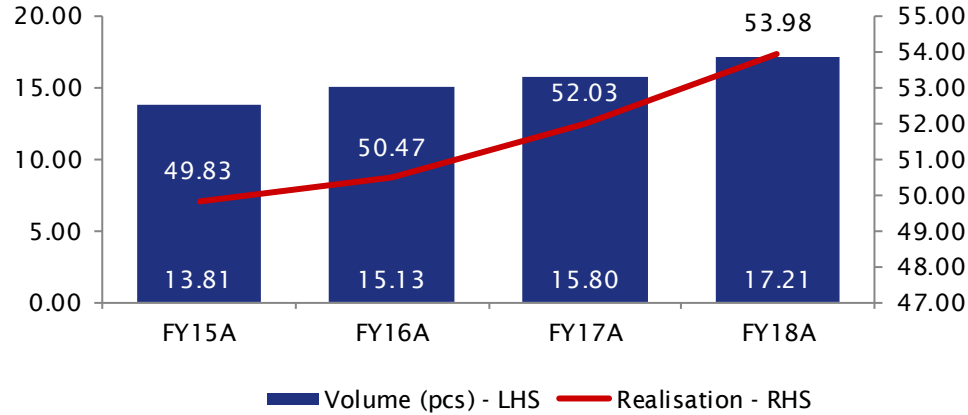
Exhibit 8: Segment-wise revenue growth



Source: Company, JMFS Research

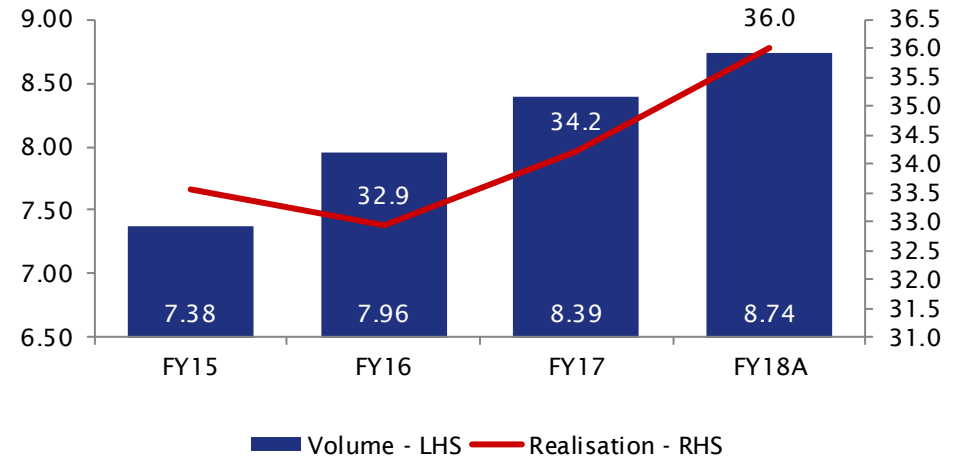
Focus Charts-III

Exhibit 9: Overall Volume realization trend



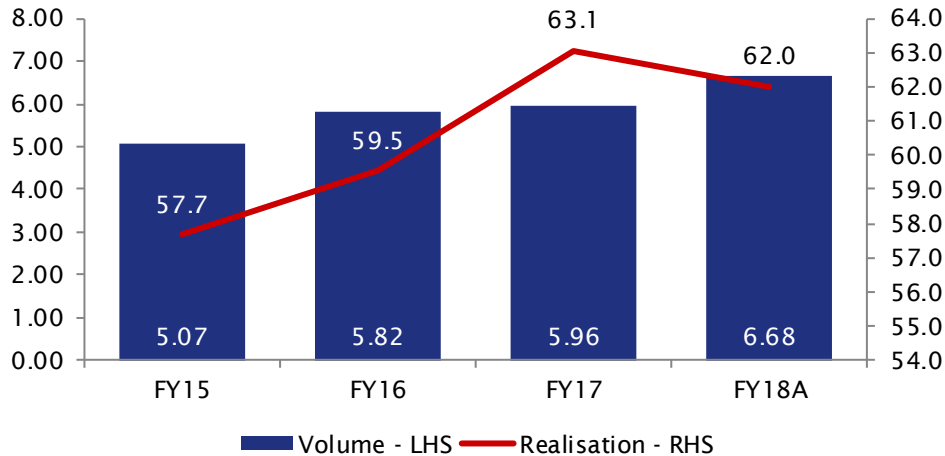
Source: Company, JMFS Research

Exhibit 10: Mass Market volume realization trend



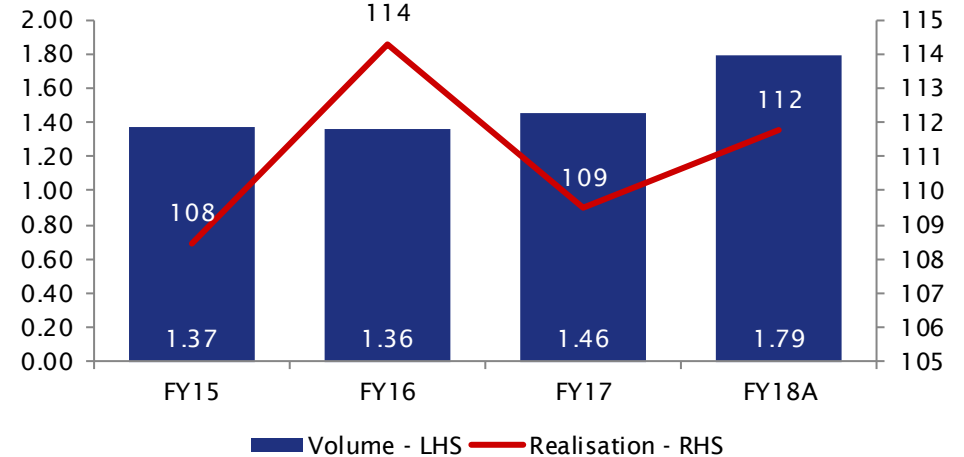
Source: Company, JMFS Research

Exhibit 11: Mid market volume realization trend



Source: Company, JMFS Research

Exhibit 12: Premium segment market volume realization trend



Source: Company, JMFS Research

Evolving & Reinvesting

Exhibit 13: Diversified Portfolio of Brands

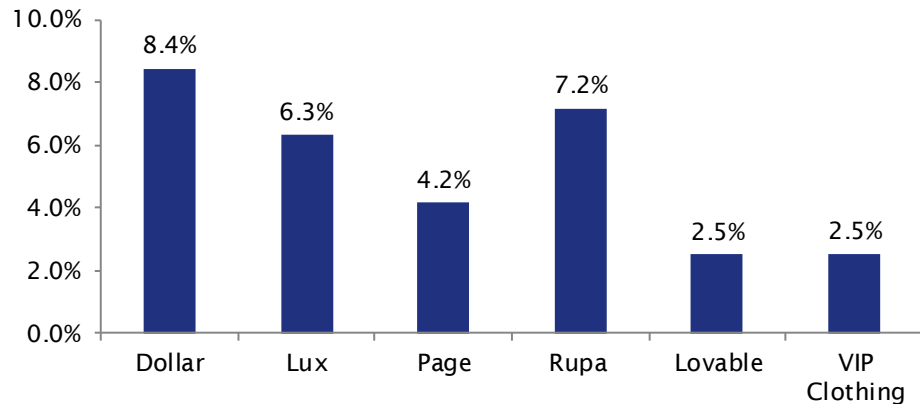


Source: Company, JMFS Research

- Over the years, Dollar has progressively graduated from a mass market men's innerwear brand (89% revenues in 2006) to a house of brands mainly focusing on mid & premium segment which caters to large portion family innerwear requirements.
- Dollar has been extremely successful in expanding its global footprint in the branded innerwear space mainly in GCC countries, Nepal & Bangladesh. (Exports contributed ~7% revenues in FY18).
- In order to create strong, sustainable portfolio of brands, it has been constantly investing behind brand promotion activities. In last 3 years it has spend ~INR 210Cr behind A&P activities (8.4% of total revenues)
- Dollar with ~890+ distributors & 90,000 retailers has established itself as one of the fastest growing brands in the entire consumer discretionary space

Brand Promotion & Consumer engagement

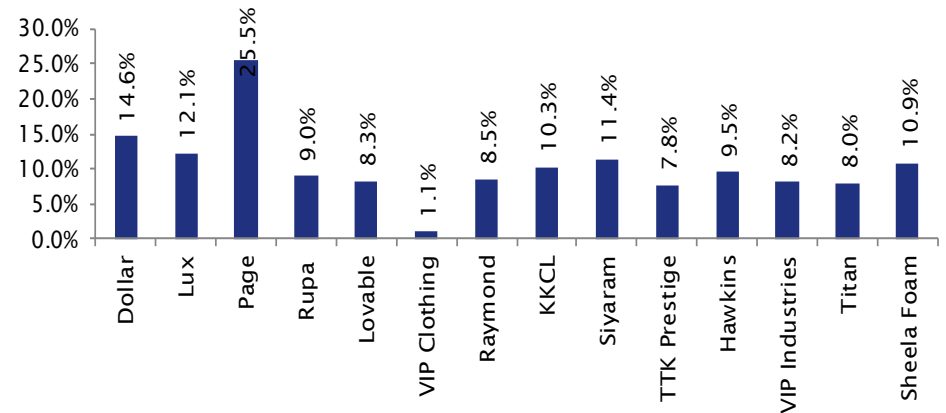
Exhibit 13: Advertisement & Promotion as a % of Rev (Average FY15-17)



Source: Company, JMFS Research

One of the fastest growing Consumer Discretionary Brands

Exhibit 14: Revenue growth CAGR FY12-17

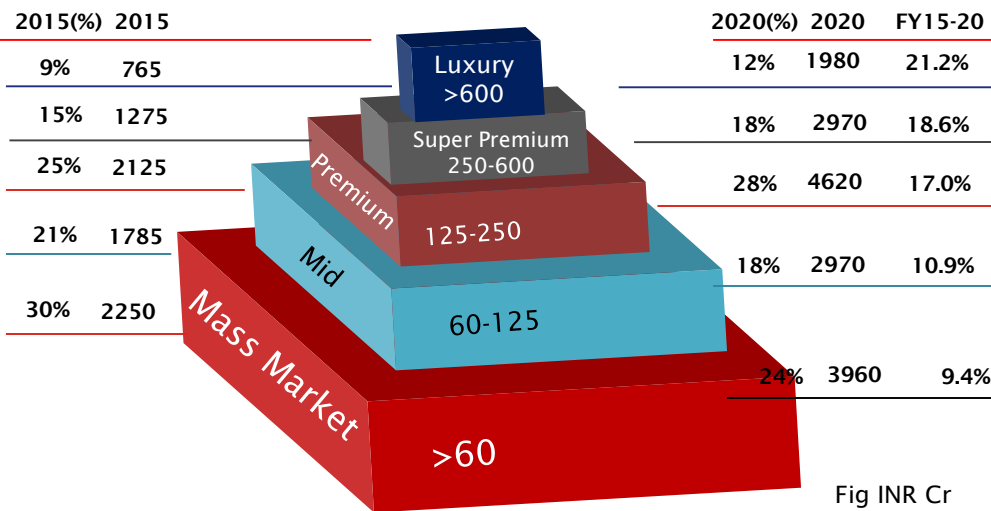


Source: Company, JMFS Research

Premiumisation & Product expansion the way forward

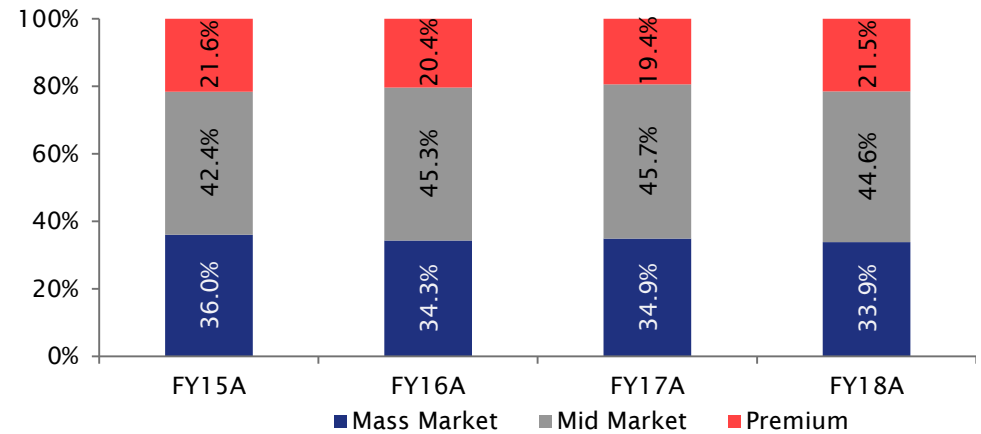
- ❑ **Premium brand positioning amidst pressure in mass market**
 - Dollar plans to strengthen its premium brands like Force NXT, Missy, Ultra Thermal & Champion which will be the key catalyst for long term sustainable growth.
 - Apart from the existing in-house brands it also aims to have a significant presence in super- premium category through a 50:50 JV with Pepe Jeans for exclusive 10 year perpetual agreement for sales in India, Bangladesh, Bhutan & Srilanka.
- ❑ **Product Expansion and new launches**
 - In the women's wear, it plans to enhance its assortments particularly in the legging & brassiere segment under the brand 'Missy'. Currently 'Missy' contributes ~6.7% of overall revenues.

Exhibit 16: Segment-wise Men's Innerwear market



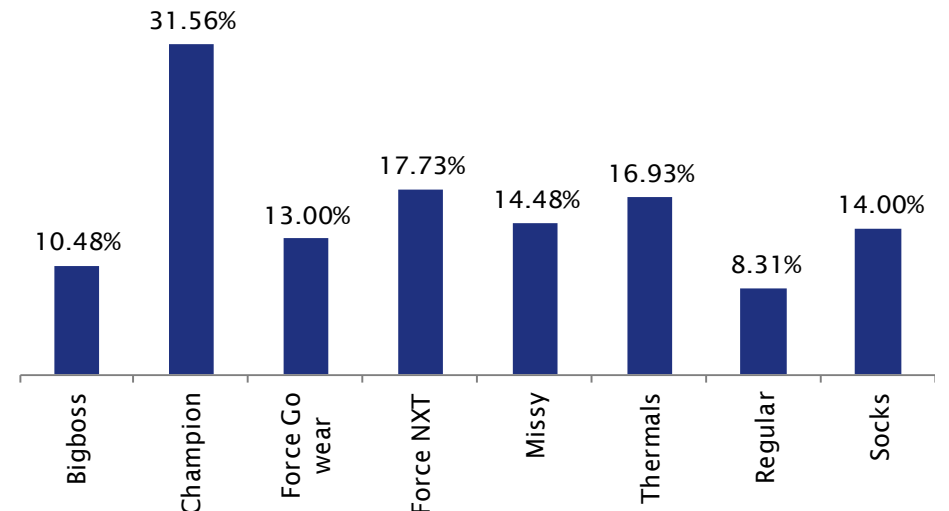
Source: Intimate Apparel Association of India, JMFS Research

Exhibit 15: Segment-wise revenue growth



Source: Company, JMFS Research

Exhibit 17: Dollar Industries Brand-wise Operating margin for FY17



Source: Company, JMFS Research

Backward integrated business model to aid better operating efficiency

Dollar industries has adopted a prudent & phased investment strategy towards augmenting its in-house manufacturing capacity. It is the only branded innerwear player which has fully backward integrated manufacturing set-up.

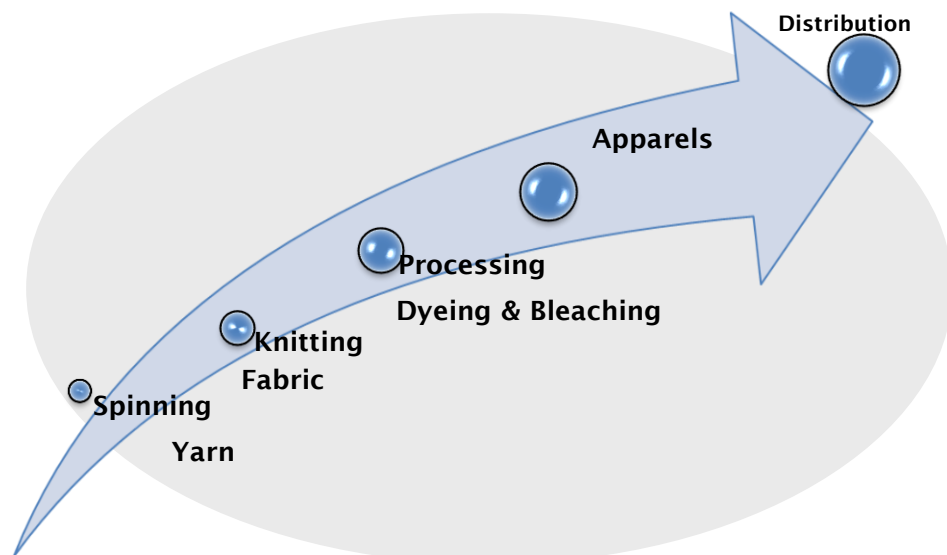
- ✓ In the spinning segment, Dollar produces high quality NE20's & 40's 100% cotton combed yarn. Apart from captive usage it also sells premium quality yarn & processed fabric to international brands.
- ✓ Captive production has increased form 0% in FY13 to 30% in FY17 rest is outsourced. Going forward with minimal capex behind in-house manufacturing capacity, asset turns are likely to improve.
- ✓ Dollar has manufacturing set-up spread across Ludhiana (Thermals), Delhi (Socks), Kolkata (Job work stitching) , Tirpur (fully integrated set-up from raw cotton procurement till garmenting)

Exhibit 18: Manufacturing Capacities

	Spinning	Knitting	Processing	Elastic Production	Cutting
Capacity	400 TPM	300 TPM	400 TPM	10 lakh MPA	3 lakh pcs/day
Location	Tirpur	Tirpur	Tirpur	Tirpur	Tirpur

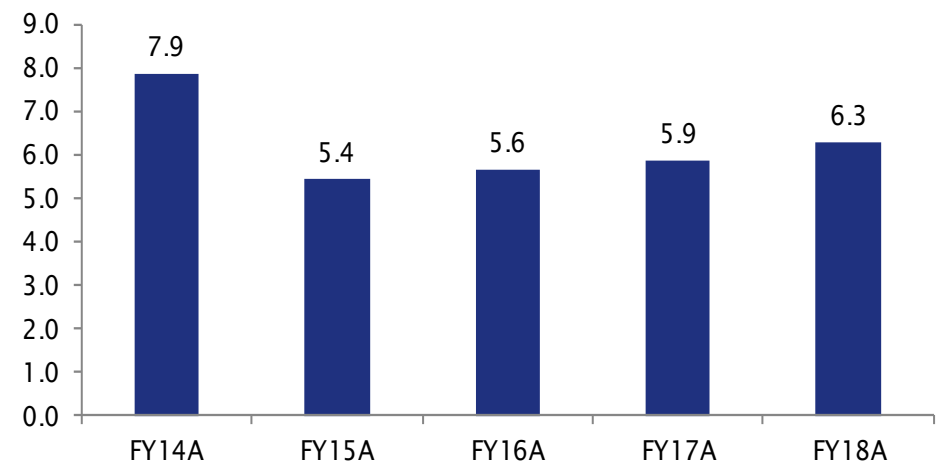
Source: Company, JMFS Research

Exhibit 18: Dollar Industries presence in the textile value chain



Source: Company, JMFS Research

Exhibit 19: Steady growth in Fixed Asset turn (on Gross Block)



Source: Company, JMFS Research

Valuation

Exhibit 20: Peer Comparison

	Mcap (INR Cr)	Revenue FY18(INR Cr)	EBITDA Margin	P/E(x)			EPS CAGR(%)	EV/EBITDA(x)			ROE (%)		
				FY18	FY19E	FY20E	FY18-FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Page Industries	27,000	2,551	21.2%	79.4	63.2	50.8	25.1%	50.5	40.7	33.2	44.5%	44.0%	44.0%
Lux Industries	4,310	1,137	13.5%	59.0	57.4			30.6	29.0		30.0%		
Rupa & Co.	3,300	112	14.4%	38.2	31.4	25.4	22.6%	22.0	18.3	15.1	19%	19%	21%
Dollar Industries	1,816	983	12.7%	29.0	22.0	19.0	23.7%	16.8	13.5	11.5	18%	20%	20%
Siyaram	2,950	1,732	13.5%	24.8	22.8	18.0	16.9%	12.6	12.3	10.2	16%	17%	19%
Average				46.1	39.4	28.3		26.5	22.8	17.5			
TTK Prestige	6,870	1,745	13.0%	40.0	32.0	31.8	11.4%	27.0	22.9	19.5	28%	18%	18%
Symphony	9,825	768	30.4%	50.8	42.6	35.0	20.6%	43.4	35.6	29.2	35%	34%	34%
VIP industries	6,180	1,410	13.6%	49.0	42.0	36.0	17.5%	32.0	27.0	23.5	28.3	27.2	26.7
Relaxo Footwear	8,280	1,957	15%	51.5	43.0	36.0	19.5%	28.0	23.5	20.2	24%	23%	22%
Bata	9,950	2,630	13.4%	45.0	38.0	33.0	16.8%	24.6	24.0	20.8	16%	17%	17%
Sheela Foam	7,200	1,965	11.0%	54.0	39.5	31.2	31.5%	32.5	26.2	20.0	26%	26%	27%

Source: Company, Bloomberg Consensus, JMFS Research

Profit and loss statement

(INR Crore)

(Year-end March)	FY14	FY15	FY16	FY17	FY18
Total operating Income	686.5	724.1	821.7	886.1	983.4
Growth (%)	18%	5%	18.5%	7.8%	11.0%
Raw Material Expenses	366.2	377.3	357.4	377.3	405.9
Employee Expenses	4.9	7.3	10.0	21.5	26.4
Manufacturing Expenses	138.4	137.0	182.6	166.2	426.3
Selling & Distribution Expenses	121.9	126.5	194.4	211.3	0.0
Admin & Other Expenses	13.4	20.0	11.6	14.2	0.0
Total Operating Expenditure	644.8	668.2	755.9	790.5	858.7
EBITDA	41.7	55.9	65.8	95.7	124.8
Growth (%)	-1%	34%	18%	45%	30%
Depreciation	8.8	11.4	13.7	14.8	12.2
Interest	15.6	20.2	19.4	19.7	17.9
Other Income	3.4	6.4	8.3	8.6	2.0
PBT	20.6	30.7	40.9	69.8	96.7
Growth (%)	53%	49%	33%	71%	39%
Total Tax	6.9	11.3	14.6	23.3	31.8
Reported PAT	13.7	19.4	26.4	46.6	64.9
Growth (%)	23%	42%	36%	77%	39%
Minority Interest	0	0	0	0	-0.15
Adjusted PAT	13.7	19.4	26.4	46.6	64.8
EPS (INR)	3.5	5.0	6.8	8.0	11.8

Source: Company, JMFS Research

Balance Sheet

(INR Crore)

(Year-end March)	FY14	FY15	FY16	FY17	FY18
Liabilities					
Equity Capital	7.7	7.7	7.7	10.8	11.3
Reserve and Surplus	93.4	112.6	137.7	170.1	341.4
Total Shareholders funds	101.2	120.4	145.5	180.9	352.7
Total Debt	141.6	180.6	205.3	205.0	170.0
Deferred Tax Liability	3.7	3.6	4.1	2.3	0.4
Minority Interest / Others	-	-	5.8	7.3	0.0
Total Liabilities	246.5	304.6	360.7	395.5	523.2
Assets					
Gross Block	87.4	133.7	145.5	151.4	157.2
Less: Acc Depreciation	37.0	48.3	61.8	76.6	88.8
Net Block	50.4	85.4	83.7	74.8	68.4
Capital WIP	25.3	0.4	0.6	0.0	2.1
Total Fixed Assets	75.6	85.7	84.4	74.9	70.5
Investments	-	-	0.0	0.3	3.0
Others	0.2	0.3	0.6	0.4	2.1
Inventory	106.7	121.1	208.4	204.9	282.9
Debtors	141.4	185.2	193.2	226.5	271.7
Other Current Assets	8.9	16.8	20.2	15.2	23.4
Cash	10.0	9.1	10.4	9.7	19.6
Total Current Assets	267.2	332.2	432.1	456.3	597.6
Current Liabilities	94.6	111.9	149.9	119.0	147.8
Provisions	2.0	1.8	6.4	17.3	2.3
Total Current Liabilities	96.6	113.6	156.3	136.3	150.1
Net Current Assets	170.6	218.5	275.8	320.0	447.5
Others Assets					
Application of Funds	246.5	304.6	360.7	395.5	523.2

Source: Company, JMFS Research

Cash Flow Statement

(INR Crore)

(Year-end March)	FY14	FY15	FY16	FY17	FY18
Profit before Tax	20.6	30.8	40.9	66.7	96.7
Add: Depreciation	8.8	11.4	13.7	14.8	12.2
(Inc)/dec in Current Assets	-12.7	-67.0	-95.8	-24.5	-131.4
Inc/(dec) in CL and Provisions	19.0	18.2	39.7	-29.5	-5.3
Taxes Paid	-10.1	-10.2	-9.9	-21.3	-31.8
Others	19.0	20.2	19.4	19.7	17.9
CF from operating activities	44.6	3.3	8.0	26.0	-41.7
Capex	-28.7	-21.1	-12.3	-5.5	-7.9
FCF	15.9	-17.8	-4.4	20.4	-49.5
Inc(-)/Dec in Investment					-2.7
Others	0.0	0.0	0.4	-0.3	0.0
CF from Investment activities	-28.7	-21.1	-11.9	-5.8	-10.6
Inc(-)/Dec in Capital					107.5
Inc(-)/Dec in Loans	-8.7	38.7	25.1	-0.3	-29.0
Dividend + Tax thereon	-1.1	-1.4	0.0	-1.4	0.0
Others	-16.3	-20.5	-19.8	-19.2	-17.9
CF from Financial activities	-26.1	16.8	5.3	-20.8	60.6
Inc/(Dec) in Cash	-10.2	-0.9	1.3	-0.7	9.9
Opening Cash	20.2	10.0	9.1	10.4	9.7
Closing Cash	10.0	9.1	10.4	9.7	19.6

Source: Company, JMFS Research

Ratio Analysis

(Year-end March)	FY14	FY15	FY16	FY17	FY18
Per share data (₹)					
EPS	3.5	5.0	6.8	8.0	11.8
Cash EPS	12.4	16.4	20.5	22.8	24.0
BV	130.7	155.5	188.0	33.4	62.2
DPS					
Cash Per Share	1.3	1.2	1.3	0.9	1.7
Operating Ratios					
EBITDA Margin (%)	6.1%	7.7%	8.0%	10.8%	12.7%
PBT Margin (%)	3.0%	4.2%	5.0%	7.9%	9.8%
PAT Margin (%)	2.0%	2.7%	3.2%	5.3%	6.6%
Inventory days	57	61	93	84	105
Debtor days	75	93	86	93	101
Creditor days	25	35	40	40	38
Return Ratios (%)					
RoE	14%	16%	18%	24%	18%
RoCE	13%	15%	15%	22%	22%
RoIC	13%	13%	13%	20%	21%
Valuation Ratios (x)					
P/E	18.9	13.3	9.8	41.8	29.3
EV / EBITDA	46.7	35.5	30.6	20.1	15.6
EV / Net Sales	2.8	2.7	2.4	2.3	2.0
Market Cap / Sales	2.6	2.5	2.2	2.0	1.8
Price to Book Value	2.6	2.2	1.8	10.0	5.4
Solvency Ratios					
Debt/EBITDA	3.4	3.2	3.1	2.1	1.2
Debt / Equity	1.4	1.5	1.4	1.1	0.4
Current Ratio	4.0	4.0	3.9	4.0	4.8
Quick Ratio	2.3	2.5	2.0	2.2	2.4

Source: Company, JMFS Research

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