

Dollar Industries Ltd.

Growth pillars in place driven by project Lakshya

Dollar Industries Ltd (DIL), reported Sales & EBITDA for Q3FY25 was in-line with our estimates, while PAT was a bit lower. In Q3FY25 company reported sales growth of ~14.8% YoY supported by a volume growth of ~8% YoY and increase in average selling price by ~6% YoY. In Q3FY25 & 9mFY25 revenue from modern trade and e-commerce (contribution ~9% of of revenue in 9mFY25) grew by ~35% & ~55% YoY respectively. Company's premium brand Force Nxt reported volume growth of ~23% YoY & value growth of ~14% YoY in Q3FY25. In 9mFY25 thermal segment reported volume growth of ~19.5% YoY and revenue growth of ~20.8% YoY at ~Rs 1 bn. In Q3FY25 Gross margins improved by ~171 bps to ~35.6% led by better sales realisation on account of improved product mix. EBITDA increased by ~27.6% YoY with margin expansion by 109 bps YoY and PAT increased by ~12.8% YoY. With good consumer demand and stable raw material prices management is confident to improve overall performance of the company going forward. Company has expanded project Lakshya in three new states of Madhya Pradesh, Himachal Pradesh and Jharkhand. It is also in the process of hiring a new head for project Lakshya.

Management has retained its earlier guidance for a revenue growth of ~12%-13% YoY (volume growth of ~9%-10%) and EBITDA margin in the range of ~11%-11.5% in FY25. Further it is confident to achieve sales of ~Rs 20 bn in FY26 with EBITDA margin in the range of ~13%-14% with an improvement in working capital. We expect company to report sales volume CAGR of ~6% over FY24-FY27e. We remain positive on the company's mid-to long term potential.

Q3FY25 Earnings Highlights

- In Q3FY25, company reported sales increased by ~14.8% YoY, with volumes growth of ~8% YoY. Average selling price improved by ~6% YoY.
- Gross margin in Q3FY25 improved by ~171 bps YoY to ~35.6% led by higher sales realisation on account of better product mix.
- EBITDA margin in Q3FY25 increased by ~109 bps YoY to ~10.9% supported by better gross margins and lower advertisement expenditure.
- PAT for Q3FY25 increased by ~12.8% to ~ Rs 200 mn.

Project Lakshya on track

DIL is working with Vector Consultants to implement Theory of constraints (TOC), in an attempt to keep a tab on its working capital mainly by reducing receivables and inventories. Company has enrolled ~315 distributors till the end of Q3FY25 (addition of ~25 distributors in 9mFY25) under the project Lakshya and target to bring ~65%-70% of its distributors under project Lakshya by FY26. In 9mFY25 contribution of sales from distributors under project Lakshya increased to ~30.7% of domestic sales as compared to ~26.3% in FY24. In FY25 company has launched project Lakshya in three new states of Madhya Pradesh, Jharkhand and Himachal Pradesh.

Outlook and Valuation

- DIL's strong brand recall coupled with deeper penetration and consumers shifting towards affordable branded quality products are strong macro tailwinds for the company. Currently the innerwear industry is witnessing a structural shift from unorganised to the organised sector. We expect DIL to benefit from this trend.
- We have roll forward our valuation to March'27 from Sept'26 and continue to value the stock at 20x FY'27e EPS of Rs 27.5, to arrive at a target price of Rs 550. Given the recent correction in stock price we upgrade our rating to "Buy" from "Accumulate".

Y/E Mar (Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25e	Var. (%)
Net sales	3,807	3,316	14.8%	4,469	-14.8%	3,829	-1%
Operating costs	3,391	2,989	13.4%	3,979	-14.8%		
EBITDA	416	326	27.6%	489	-14.9%	423	-2%
EBITDA Margin (%)	10.9%	9.8%	109 Bps	10.9%	(2)Bps	11.0%	
Depreciation	95	62	53.1%	90	5.0%		
Interest	74	49	51.0%	71	3.0%		
Other income	17	12	40.6%	11	50.7%		
PBT	265	228	16.3%	339	-21.8%		
Provision for tax	71	49	45.3%	78	-8.3%		
Effective tax rate	26.9%	21.6%	537 Bps	23.0%	397 Bps		
Reported PAT	200	177	12.8%	265	-24.7%	214	-7%
PAT Margin (%)	5.2%	5.3%	(10)Bps	5.9%	(69)Bps	5.6%	

Source: Company, SMIFS Institutional Research Estimates

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	PAT	YoY (%)	EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY23	13,938	3.8%	982	7.0%	525	-64.3%	9.3	8.4%	7.5%	48.8	27.7
FY24	15,723	12.8%	1,586	10.1%	902	71.7%	15.9	12.5%	10.6%	26.6	17.0
FY25E	17,199	9.4%	1,918	11.2%	1,016	12.7%	17.9	12.4%	10.3%	24.1	14.1
FY26E	18,771	9.1%	2,177	11.6%	1,211	19.2%	21.4	14.0%	11.3%	20.2	12.3
FY27E	20,665	10.1%	2,604	12.6%	1,560	28.8%	27.5	16.4%	13.4%	15.7	10.1

Source: Company, SMIFS Institutional Research Estimates



Rating: Buy Return: 27%
Current Price: 432 Target Price: 550

Earlier recommendation

Previous Rating: Accumulate
Previous Target Price: 559

Market data

Bloomberg: DOLLAR IN
52-week H/L (Rs): 660/380
Mcap (Rs bn/USD bn): 24.49/0.28
Shares outstanding (mn): 56.7
Free float: 27.8%
Avg. daily vol. 3mth (in '000): 71.52
Face Value (Rs): 2

Source: Bloomberg, SMIFS Research

Shareholding pattern (%)

	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	72.2	72.2	72.2	72.2
FIIs	2.0	2.0	2.1	2.1
DIIIs	0.9	0.7	0.8	0.6
Public/Other	24.9	25.1	24.9	25.1

Promoters Pledging (%)

Pledge	0	0	0	0
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Source: BSE

Price performance (%)*

	1M	3M	12M	36M
Nifty 50	-0.2	-2.2	5.9	32.5
Nifty 500	-1.6	-4.6	5.7	40.4
Dollar	2.7	-14.3	-7.9	-23.9

*as on Feb 13th 2025; Source: AceEquity, SMIFS research

3 Year Price Performance Chart



Source: AceEquity

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Q3FY25 – Key takeaways from the management call

Guidance:

- ✓ **Management has retained its earlier guidance for revenue growth of ~12%-13% YoY (volume growth of ~9%-10%) with EBIDTA margin in the range of ~11%-11.5% for FY25.** Further it expects to achieve a revenue of ~Rs 20 bn in FY26 with EBIDTA margin of ~13-14% in FY26.

Q3FY25 – Highlights:

- ✓ In Q3FY25 company reported **volume growth of ~8% YoY and improvement in average selling price (ASP) by ~6% YoY.** In 9mFY25 company reported **volume growth of ~2% YoY.**
- ✓ Gross Margins in Q3FY25 improved by ~171 bps YoY due higher sales realization on account of better product mix. Now since the raw material prices are stable **management expect to sustain and further improve** from the current levels of gross margins.
- ✓ Management is confident of good volume growth in the premium segment going forward. **Plans to increase the share of high margin products from ~27% in FY24 to ~33% by FY26.**
- ✓ **Revenue contribution by category for 9mFY25:** Dollar Always ~39%, Dollar Man ~38%, Dollar Women ~8%, Dollar Thermals ~9%, Force Next~4%, Dollar Protect- ~2%
- ✓ **Breakup of revenue for 9mFY25 geography wise:** North-47%, West-21%, East-24%, South-8%. Share of business has increased from South India.
- ✓ **In view of the prevailing market condition, company has decided to defer its plans to raise funds through QIP.**

Project Lakshya Updates:

- ✓ Project Lakshya has been going as per plan of the company and is on the way towards expanding number of distributors, reach and range of the products. In 9mFY25 company has added ~25 distributors and now has total of ~315 distributors under this project. **Company targets to have ~65%-70% of its distributors under project Lakshya by end of FY26.** In 9mFY25 revenue contribution from distributor under Lakshya project increased to ~30.7% from ~26.3% of domestic sales in FY24.
- ✓ In FY25 company has launched Lakshya project in three new states Madhya Pradesh, Jharkhand and Himachal Pradesh.

E-commerce Expansion:

- ✓ Company has added platforms like Zepto and Swiggy Instamart and plans to on-board more players like Flipkart Minute and Myntra Speed.

EBOs:

- ✓ Company has opened 17 EBO's till now and **targets is to have ~125 EBO's by FY26.**

Channel Financing:

- ✓ Company targets to bring ~60% of its distributors under channel financing by FY26.

Working Capital:

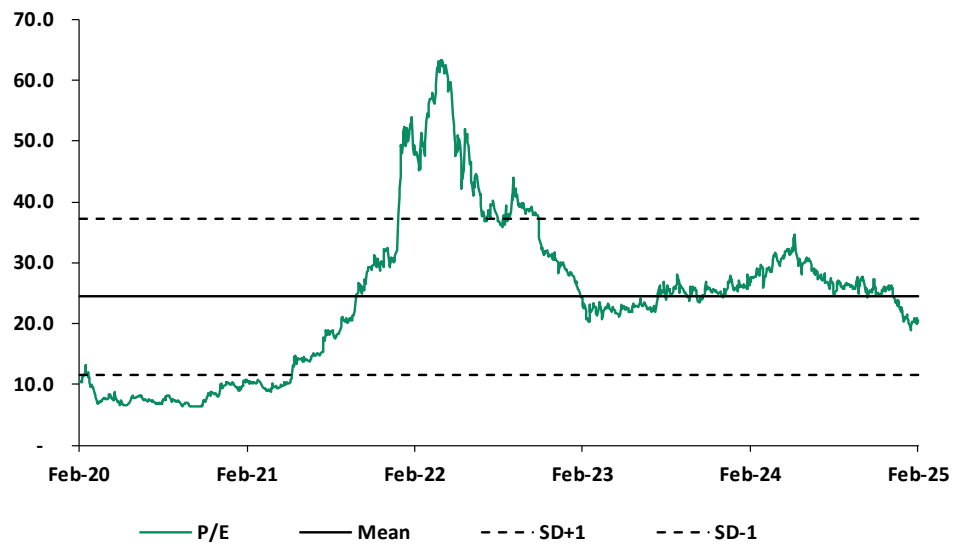
- ✓ Going forward company plans to improve the net working capital days further led by project lakshya and channel financing.
- ✓ Company plans to become net-debt free by FY27.

Outlook and Valuation

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- ✓ Currently the innerwear industry is witnessing a structural shift from unorganised to the organised sector. We expect DIL to benefit from this trend.
- ✓ **We have rolled forward our valuation to March'27 from Sept'26 and continue to value the stock at 20x FY27e EPS of Rs 27.5, to arrive at a target price of Rs 550. Given the recent correction in stock price we upgrade our rating to "Buy" from "Accumulate" on the stock.**

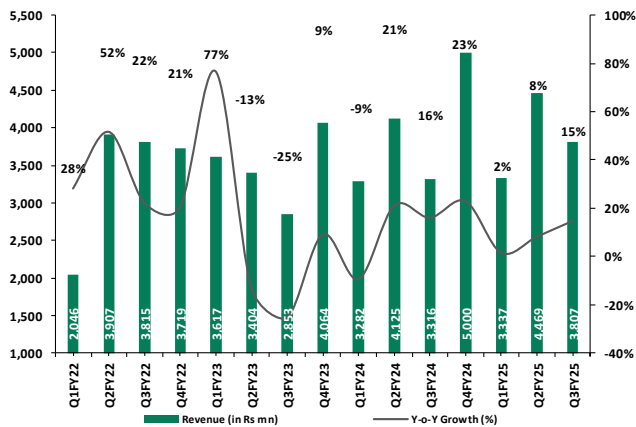
Key risks are (1) Volatile raw material prices (2) Competition from both organised & un-organised players (3) Any increase in GST rates (4) Delay in implementation of project Lakshya.

Fig 1: 1-year forward P/E



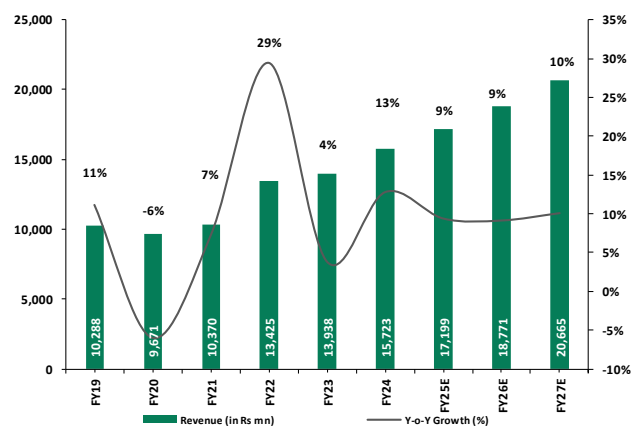
Source: Company, SMIFS Institutional Research Estimates

Fig 2: Revenues (Quarterly)



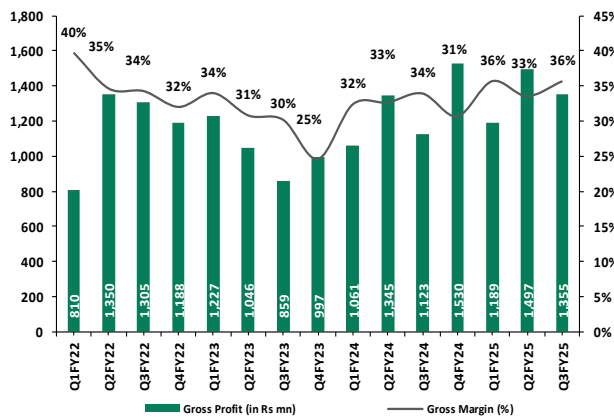
Source: Company, SMIFS Research

Fig 3: Revenues (Yearly)



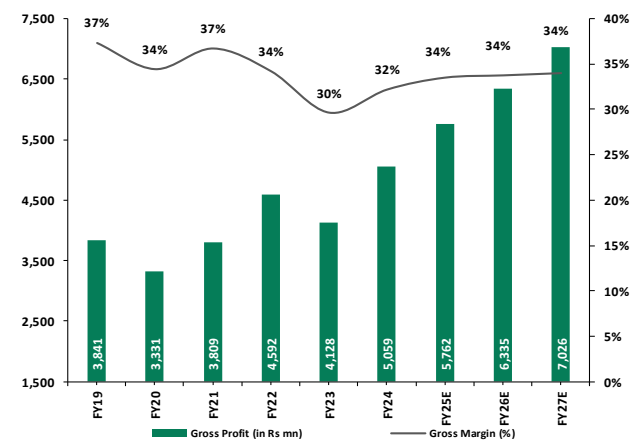
Source: Company, SMIFS Research

Fig 4: Gross Profit (Quarterly)



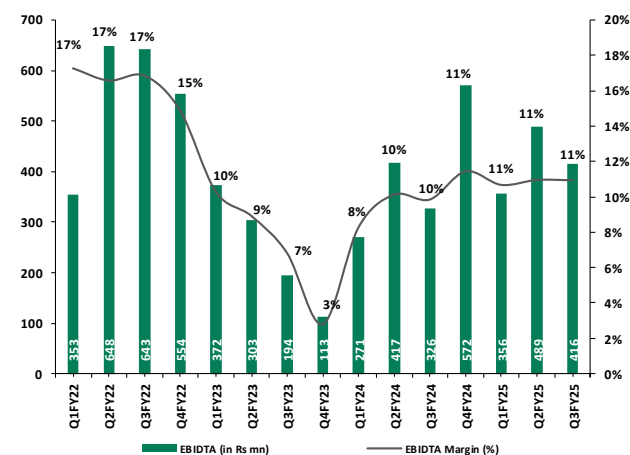
Source: Company, SMIFS Research

Fig 5: Gross Profit (Yearly)



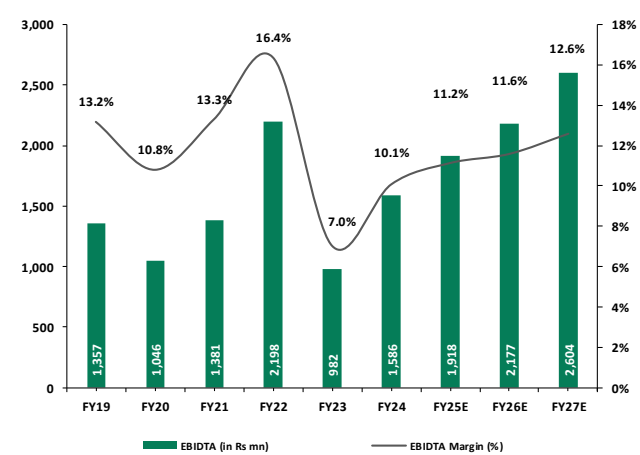
Source: Company, SMIFS Research

Fig 6: EBITDA & Margin (Quarterly)



Source: Company, SMIFS Research

Fig 7: EBITDA & Margin (Yearly)



Source: Company, SMIFS Research

Quarterly financials, operating metrics and key performance indicators

Fig 8: Quarterly Financials (Consolidated)

Y/E March (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Sales	4,064	3,282	4,125	3,316	5,000	3,337	4,469	3,807
COGS	3,067	2,222	2,781	2,193	3,469	2,149	2,972	2,453
Employee Costs	210	211	224	221	237	230	262	265
Other Expenditure	674	578	703	576	722	602	746	673
EBITDA	113	271	417	326	572	356	489	416
Depreciation	43	42	43	62	67	84	90	95
Interest	34	35	39	49	63	67	71	74
Other Income	13	7	5	12	21	7	11	17
PBT	49	201	341	228	463	212	339	265
Tax	15	42	85	49	127	55	78	71
Tax rate (%)	30.5%	20.9%	25.1%	21.6%	27.4%	26.1%	23.0%	26.9%
Reported PAT	34	159	256	179	336	156	261	194
Extraordinary Items								
Share of profit/ (loss) in JV	-29	-8	-7	-1	-1	4	3	6
Non-controlling interest	-1	-6	0	1	-5	7	-1	0
Adjusted PAT	4	145	249	178	331	167	263	199
YoY Growth (%)								
Revenue	9.3%	-9.2%	21.2%	16.2%	23.0%	1.7%	8.3%	14.8%
EBITDA	-79.6%	-27.2%	37.7%	68.1%	405.9%	31.3%	17.2%	27.6%
PAT	-99.0%	-46.1%	43.8%	128.9%	8986.1%	5.3%	6.6%	12.8%
QoQ Growth (%)								
Revenue	42.4%	-19.2%	25.7%	-19.6%	50.8%	-33.2%	33.9%	-14.8%
EBITDA	-41.8%	139.9%	54.0%	-21.8%	75.2%	-37.7%	37.4%	-14.9%
Adj. PAT	-95.3%	3888.6%	71.2%	-28.8%	86.9%	-53.8%	73.2%	-24.7%
Margin (%)								
Gross margin (%)	24.5%	32.3%	32.6%	33.9%	30.6%	35.6%	33.5%	35.6%
Employee cost/ revenue (%)	5.2%	6.4%	5.4%	6.7%	4.7%	6.9%	5.9%	7.0%
Other expenses/revenue (%)	16.6%	17.6%	17.0%	17.4%	14.4%	18.1%	16.7%	17.7%
EBITDA margin (%)	2.8%	8.3%	10.1%	9.8%	11.4%	10.7%	10.9%	10.9%
PAT margin (%)	0.8%	4.8%	6.2%	5.4%	6.7%	4.7%	5.8%	5.1%

Source: Company, SMIFS Institutional Research Estimates

Fig 9: Change in estimates

Rs mn	New Estimates			Old Estimates			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	17,199	18,771	20,665	17,006	19,080	21,006	1%	-2%	-2%
Gross profit	5,762	6,335	7,026	5,697	6,487	7,184	1%	-2%	-2%
Gross margin (%)	33.5%	33.8%	34.0%	33.5%	34.0%	34.2%	0 Bps	-25 Bps	-20 Bps
EBITDA	1,918	2,177	2,604	1,871	2,366	2,846	2%	-8%	-9%
EBITDA margin (%)	11.2%	11.6%	12.6%	11.0%	12.4%	13.5%	15 Bps	-80 Bps	-95 Bps
PAT	1,016	1,211	1,560	979	1,393	1,778	4%	-13%	-12%
EPS (Rs)	18	21	27	17	25	31			

Source: Company, SMIFS research estimates

Financial Statements (Consolidated)

Income Statement					
YE March (Rs mn)	FY23	FY24	FY25e	FY26e	FY27e
Net Sales	13,938	15,723	17,199	18,771	20,665
COGS	9,811	10,664	11,438	12,436	13,639
% of sales	70.4%	67.8%	66.5%	66.3%	66.0%
Employee Expenditure	769	894	1023	1108	1199
% of sales	5.5%	5.7%	6.0%	5.9%	5.8%
Other Exp.	2376	2579	2821	3050	3224
% of sales	17.0%	16.4%	16.4%	16.3%	15.6%
EBITDA	982	1,586	1,918	2,177	2,604
Other Income	47	45	52	56	62
Depreciation & Amortisation	176	213	360	354	360
EBIT	854	1,419	1,609	1,880	2,306
Interest Expenses	142	185	273	261	221
Core PBT	664	1,189	1,284	1,563	2,023
PBT	711	1,234	1,336	1,619	2,085
Tax	132	304	337	408	525
Tax Rate (%)	18.5%	24.6%	25.2%	25.2%	25.2%
Extraord. Items	0	0	0	0	0
Reported PAT	580	930	999	1211	1560
Share of profit/ (loss) in JV	-55	-16	17	0	0
Adjusted PAT	525	902	1016	1211	1560

Source: Company, SMIFS Institutional Research Estimates

Key Ratios					
YE March	FY23	FY24	FY25e	FY26e	FY27e
Growth ratios (%)					
Net sales	3.8%	12.8%	9.4%	9.1%	10.1%
EBITDA	-55.3%	61.5%	20.9%	13.5%	19.6%
Adjusted PAT	-64.3%	71.7%	12.7%	19.2%	28.8%
Margin Ratio (%)					
Gross Profit	29.6%	32.2%	33.5%	33.8%	34.0%
EBITDA	7.0%	10.1%	11.2%	11.6%	12.6%
EBIT	5.8%	8.7%	9.1%	9.7%	10.9%
Core PBT	4.8%	7.6%	7.5%	8.3%	9.8%
Adj. PAT	3.8%	5.7%	5.9%	6.5%	7.5%
Return Ratio (%)					
ROE	8.4%	12.5%	12.4%	14.0%	16.4%
ROCE	7.5%	10.6%	10.3%	11.3%	13.4%
Turnover Ratio days (days)					
Gross Block Turnover (x)	8.4	5.1	4.7	4.7	4.8
Adj OCF / PAT (%)	232	-49	128	100	81
Inventory	109	144	110	105	103
Debtors	109	107	102	100	98
Creditors	41	37	41	42	42
Cash Conversion Cycle	177	214	171	163	159
Solvency Ratio (%)					
Debt-equity	0.2	0.4	0.4	0.4	0.3
Net Debt-equity	0.2	0.4	0.3	0.2	0.2
Gross Debt/EBITDA	1.6	1.9	1.8	1.5	1.1
Current ratio	2.4	2.0	2.0	2.2	2.4
Interest coverage ratio (x)	5.7	7.4	5.7	7.0	10.2
Dividend					
DPS (Rs)	3.0	3.0	5.0	7.0	9.0
Dividend Payout (%)	32%	19%	28%	33%	33%
Dividend Yield (%)	0.7%	0.7%	1.2%	1.6%	2.1%
Per share (Rs)					
EPS (Reported)	9.3	15.9	17.9	21.4	27.5
Adj. EPS	9.3	15.9	17.9	21.4	27.5
CEPS	12.4	19.7	24.3	27.6	33.8
BV	125.0	138.2	146.3	159.2	176.0
Valuation					
P/E	48.8	26.6	24.1	20.2	15.7
P/BV	3.6	3.1	3.0	2.7	2.5
EV/EBITDA	27.7	17.0	14.1	12.3	10.1
EV/Sales	2.0	1.7	1.6	1.4	1.3
Adj M.Cap /Core PBT	38.6	20.2	18.4	15.0	11.7
Adj M.Cap /Adj OCF	21.0	-54.4	18.3	19.4	18.7

Source: Company, SMIFS Institutional Research Estimates

Balance Sheet					
YE March (Rs mn)	FY23	FY24	FY25e	FY26e	FY27e
Sources of funds					
Capital	113	113	113	113	113
Reserves & Surplus	6974	7725	8182	8918	9867
Shareholders' Funds	7,149	7,838	8,296	9,031	9,980
Total Debt	1616	3061	3461	3261	2761
Other non-current liabilities	99	124	124	124	124
Total Liabilities	8,864	11,024	11,881	12,417	12,866
Application of funds					
Net Block	832	2115	2306	2254	2196
Capital WIP	848	169	0	0	0
Investments	1	1	1	1	1
Non-current Asset	564	544	518	521	525
Inventories	3576	4866	5183	5400	5832
Sundry Debtors	4283	4930	4806	5143	5549
Other Current Assets	677	820	808	882	971
Cash & Bank Balances	14	22	828	1058	906
Total Current Assets	8,551	10,637	11,626	12,483	13,258
Sundry Creditors	1,375	1,823	1,932	2,160	2,378
Other Current Liabilities	557	618	639	683	736
Total Current Liabilities	1,932	2,442	2,571	2,843	3,114
Net Current Assets	6,619	8,195	9,055	9,641	10,144
Total assets	8,864	11,024	11,881	12,417	12,866

Source: Company, SMIFS Institutional Research Estimates

Cash Flow					
YE March (Rs mn)	FY23	FY24	FY25e	FY26e	FY27e
Operating profit before WC changes					
Operating profit before WC changes	1032	1655	1969	2234	2666
Net change in working capital	590	-1647	-63	-358	-659
Income tax paid	-282	-264	-337	-408	-525
Cash flow from operating activities (a)	1360	-256	1570	1468	1481
Adjusted OCF	1218	-441	1296	1207	1261
Capital expenditure	-554	-783	-550	-300	-300
Adjusted Free Cash Flow	814	-1038	1020	1168	1181
Cash flow from investing activities (b)					
Cash flow from investing activities (b)	-576	-801	-550	-300	-300
Debt Issuance (repayment)	-443	1445	400	-200	-500
Interest & Lease expenses	-189	-198	-273	-261	-221
Dividend Paid	-170	-170	-340	-476	-613
Cash flow from financing activities (c)	-785	1076	-214	-937	-1333
Net change in cash (a+b+c)	-2	20	806	231	-152

Source: Company, SMIFS Institutional Research Estimates

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