



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Dollar Industries Q4 FY22 consolidated revenues came in at ₹ 376 Cr, up 21% YoY and down 1.8% QoQ with a volume decline of 2% YoY.
- PBIDT for Q4FY22 stood at ₹ 59 Cr, up 78% YoY and down 10.1% QoQ.
- PBIDTM for Q4FY22 came at 15.7%, up 500 bps YoY and down 146 bps QoQ.
- PAT for Q4FY22 stood at ₹ 37Cr, up 84.6% YoY and down 16.4% QoQ.
- Gross margins were impacted due to a steep increase in cotton yarn prices.

### 2. MANAGEMENT COMMENTARY:

- Guided for a topline growth of 15-17% in FY23 with EBITDA margin in the range of 17-18%.
- Goal to reach Rs. 20 billion sales by FY25.
- The management aims to reduce working capital days by 10-12 days led by improvement in receivable days.
- Modern Retail share in revenue was at 4% which is targeted to increase to 8% in FY25.
- Margins expanded on a sequential basis on account of lower advertisement expenditure and operating leverage benefit.

### 3. SEGMENTAL ANALYSIS:

- Q4 FY22 Revenue Breakup: Dollar Man (43%), Dollar Always (36%), Dollar Women (8%), Dollar Thermal (8%), Force NXT (3%), Dollar Gowear (1%), Dollar Junior (1%),
- Q4FY22 Geographical Revenue Breakup: North (44%), West (25%), East (24%), South (7%).

### 4. CONCALL SUMMARY

- The company undertook 4-4.5% price hike in April 2022 to protect margins and plans to take similar proportions of price hikes by June-July 2022.
- The management guided to commence integrated warehouse in Kolkata and doubling of spinning capacity by November 2022.
- With a good initial response to the company's first EBO launched in October 2021 at Ayodhya, UP; the company plans to open 25-30 EBOs in UP and Rajasthan by FY23 end and 125 by FY25.

### 5. OTHER DEVELOPMENTS:

- Added 150 distributors under channel financing mode with targeting to over 60% distributors by FY25.
- Witnessed sharp uptick in cotton prices from Rs 75,000 per candy in Jan 2022 to Rs. 1,15,000 per candy in May 2022.
- Under Project Lakshya, added 142 distributors and would focus on North East, Haryana, Andhra Pradesh, Goa, and Bihar.
- The company expanded its product portfolio under women's category and launched Dollar Woman Brassiere in markets of UP and East India.

### 6. VALUATION AND OUTLOOK:

With a strong brand recall, shift in consumer preferences towards affordable branded quality products, increase in retail network, and market share gains through focus on project Lakshya, and an integrated warehouse in Kolkata together will contribute towards robust growth of the company.

We initiate a "BUY" rating on the stock and value the stock at 13.7x FY24E earnings to arrive at the target of ₹537.

## RECOMMENDATION - BUY

CMP – 455

TARGET – 537(++18%)

Industry	Textile – Products
NSE CODE	DOLLAR
BSE CODE	541403
Market Cap (₹ Cr)	2,581
Shares Outstanding (in Cr)	5.7
52 wk High/Low (₹)	666/303
P/E	17.7
P/BV	3.8
Face Value (₹)	2.00
Book Value (₹)	118.31
EPS (FY22) (₹)	25.93
Dividend Yield (%)	0.49
Debt / Equity	0.32
Interest Coverage	21.5

### SHAREHOLDING PATTERN

	Mar 22	Dec 21	Sep 21
Promoters	72.91	72.91	72.91
MF/ DII	1.68	1.69	1.69
FII/FPI	0.30	0.20	0.13
Retail & Others	25.10	25.19	25.27
Promoter Pledging	0.00	0.00	0.00

### FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022	2023E	2024E
<b>Crore</b>			
Sales	1350	1565	1820
Sales Gr. (%)	30.2	16	16.3
EBITDA	220	255	318
EBITDA %	16.6	16.3	17.5
PAT	147	175	222
EPS (₹)	25.9	30.9	39.2
EPS Gr. (%)	72.4	19.3	26.9
BV/Sh. (₹)	118.3	145	176
<b>Ratios</b>			
RoE (%)	24.5	20.7	19.6
RoCE (%)	26.3	24.9	24.3
<b>Valuation</b>			
P/E (x)	16.7	15.3	13.7
P/BV (x)	3.7	3.3	3.1
EV/EBITDA	15.2	10.6	8.9

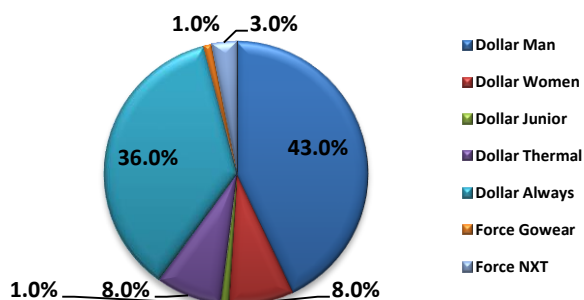
### Historical & Industrial Val Ratios

Historical P/E	18.83
Industry P/E	19.27
Historical P/B	4.13
Industry P/B	3.62

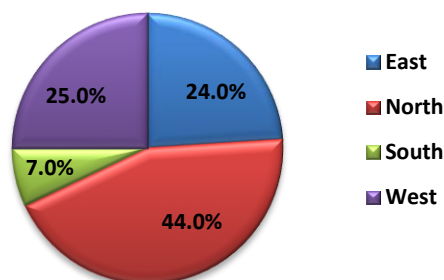


## REVENUE SPLIT (Q4 FY22)

Segmental Mix (Q4 FY22)



Geography Mix (Q4 FY22)



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

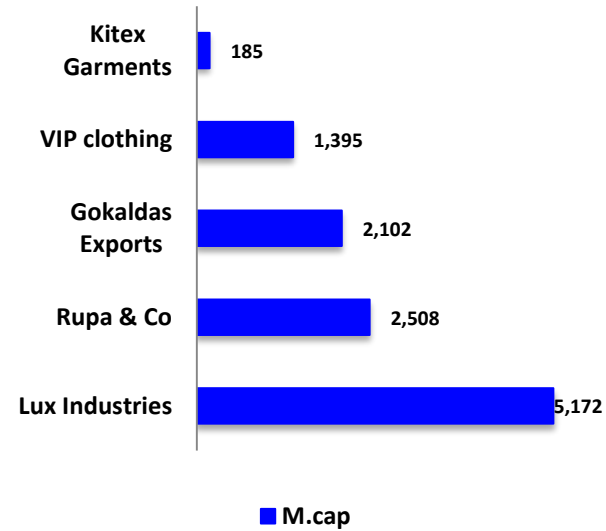
Y/E March	FY21			FY22				FY23	FY22	FY23E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E*		
<b>Net sales</b>	<b>257</b>	<b>312</b>	<b>308</b>	<b>205</b>	<b>391</b>	<b>382</b>	<b>373</b>	<b>405</b>	<b>1350</b>	<b>1565</b>
YoY change (%)	5.8	22.4	29.7	28.3	51.8	22.5	21	97.6	30.2	16
<b>Total Expenditures</b>	<b>222</b>	<b>269</b>	<b>277</b>	<b>169</b>	<b>326</b>	<b>318</b>	<b>318</b>	<b>344</b>	<b>1131</b>	<b>1312</b>
<b>EBITDA</b>	<b>35</b>	<b>43</b>	<b>31</b>	<b>35</b>	<b>65</b>	<b>64</b>	<b>55</b>	<b>61</b>	<b>220</b>	<b>253</b>
Margins (%)	13.7	13.8	10.1	17.3	16.6	16.8	14.8	15.1	16.3	16.2
Depreciation	3.5	3.8	4.9	3.8	4.0	4.2	4.5	4.7	16.6	18.9
Interest	2.3	1.8	1.3	1.4	1.7	2.0	2.6	2.9	9.6	9
Other income	0.5	0.6	2.1	0.9	0.3	1.5	3.8	4.3	6.5	6.2
<b>PBT</b>	<b>30</b>	<b>38</b>	<b>27</b>	<b>31</b>	<b>59</b>	<b>60</b>	<b>50</b>	<b>58</b>	<b>200</b>	<b>231</b>
Rate (%)	25	26	26	26	25	26	26	26	26	26
<b>Adjusted PAT</b>	<b>22</b>	<b>28</b>	<b>19</b>	<b>23</b>	<b>44</b>	<b>44</b>	<b>36</b>	<b>43</b>	<b>147</b>	<b>170</b>
Margins (%)	8.6	9.0	6.2	11.2	11.3	11.5	9.7	10.6	10.9	10.9
<b>EPS in Rs</b>	<b>3.9</b>	<b>4.9</b>	<b>3.4</b>	<b>4</b>	<b>7.7</b>	<b>7.8</b>	<b>6.4</b>	<b>7.6</b>	<b>25.9</b>	<b>31</b>

Source: Company, Hem Securities Research.

## INDUSTRY OVERVIEW

- Innerwear, earlier depicted as a mere essential commodity, has transformed itself into a fashion statement in the past few years. This industry is expected to post a CAGR ~11% over the next decade to reach ~Rs. 89,700 crore by 2028 from ~Rs. 32,000 crore in 2018.
- Factors aiding in the growth of this industry include increasing disposable income levels, high purchasing power, emergence of purpose-specific innerwear (sporty, casual, and fashionable), and growth in penetration of organized retail among others.
- Women's innerwear segment, accounting ~66% of the total innerwear market, is expected to grow at a faster pace of 12.5% CAGR over 2018-2028, while the men's innerwear segment is expected to post a 7% CAGR during the same period.
- Athleisure, is another segment gaining traction as customers are getting comfortable with the idea of wearing premium and easy-to-wear casual wear along with the hybrid working model.
- Exports of cotton yarns, fabrics/made-ups have been increasing on an yearly basis.
- Leading small cap players in Indian Textile products Industry includes Rupa & Co, V.I.P. industries, Lux Industries, Gokaldas Exports etc.

## KEY PLAYERS in Small Cap Textile Space



## PEER PERFORMANCE

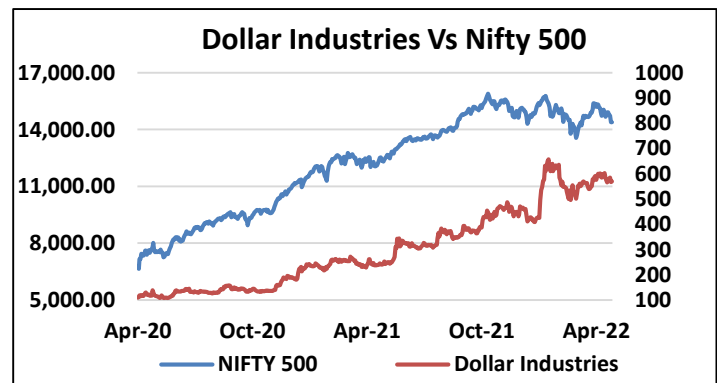
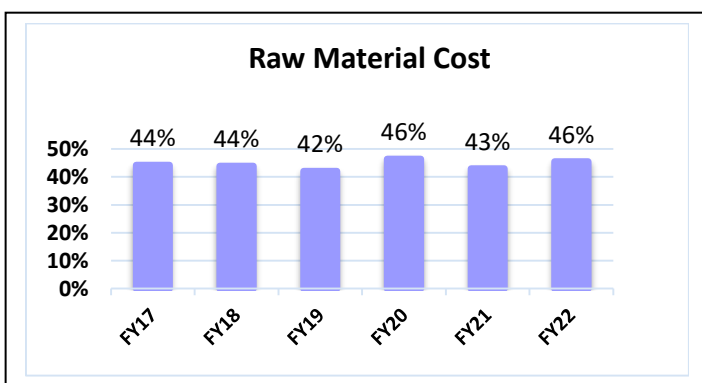
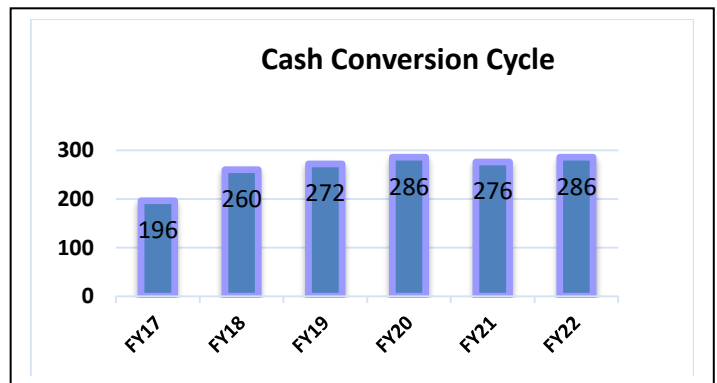
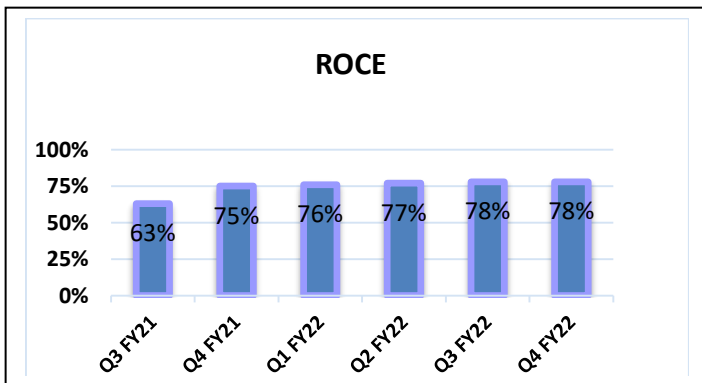
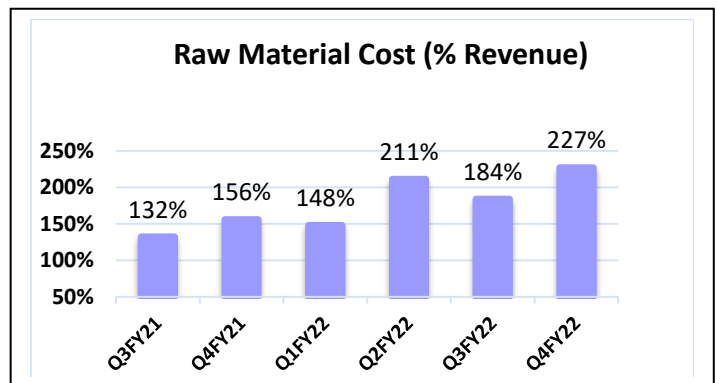
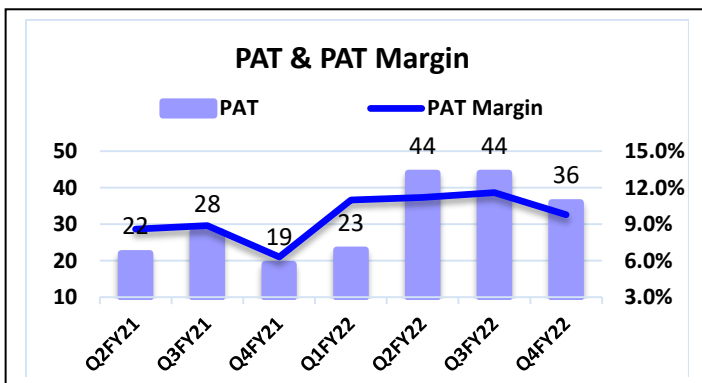
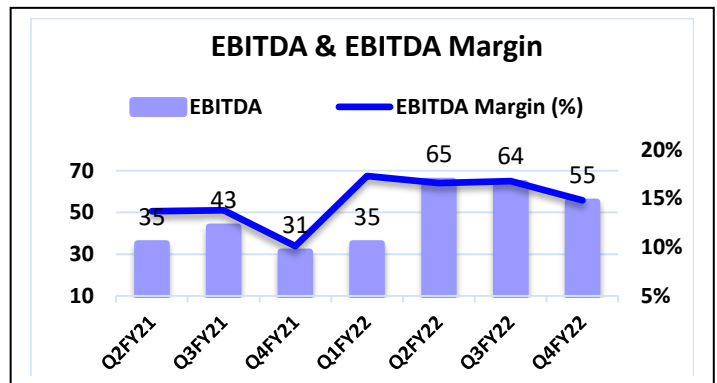
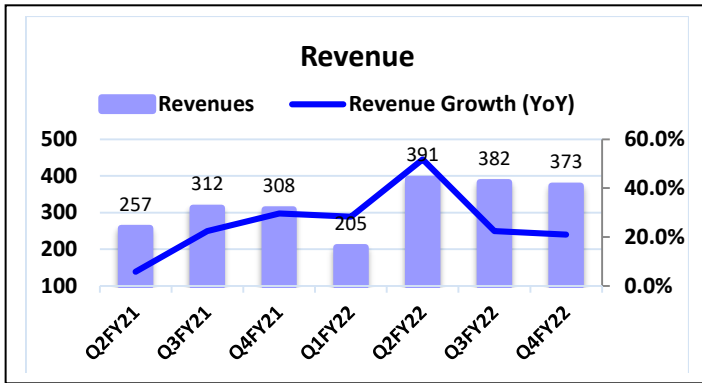
(₹ Cr)

Particulars	Rupa & Co.	Lux Industries.	V.I.P. Clothing Ltd.	Gokaldas Exports Ltd.	Kitex Garments Ltd.
Market Cap	2508	5172	185	2102	1395
EBITDA MARGIN %	19	22.3	-	12.1	25.5
PAT MARGIN %	13.0	15.8	-	6.5	16.2
ROCE %	25.0	36.4	2.2	18.8	21.6
ROE %	23.8	31.2	-1.7	23.5	16.1
P/E TTM	13.1	15.2	-	18.0	10.9
P/B TTM	2.8	3.9	1.4	3.0	1.6
EV/EBITDA	9.9	11.0	31.6	10.6	6.7
Current Ratio	2.0	2.8	1.4	2.1	4.3
Dividend Yield %	1.0	0.7	0	0	0.7
Int Coverage	14.2	34.1	0.6	3.9	49.6
EPS TTM(₹)	24.1	114	-0.3	10.6	19.3
3 Y Sales CAGR%	9	23	-4	15	9

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Achievements till now: 150,000 estimated outlets mapped, 42,451 mapped outlets enrolled, mapped 3,117 of available PIN codes, 1,713 of mapped PIN codes enrolled. 6% of H1 FY22 revenue from Lakshya distributors.
- It kick-started the process of consolidating all six warehouses into a single one for operational efficiencies, this to be completed by FY23.
- The first EBO was set up through a franchisee at Ayodhya, UP, in Oct'21. The company plans to initially open 8-10 EBOs in FY22 across Uttar Pradesh and Rajasthan.
- Currently the innerwear industry is witnessing a structure shift from unorganised to the organised sector. And therefore the company to benefit from this trend.
- At the end of FY22, company has enrolled ~142 distributors under this project. Company targets to have ~70% of its distributors under project Lakshya by end of FY25.
- The company has earlier announced a total estimated capex of Rs 1150-1200 mn spread across FY21-FY23. Upcoming capex includes (1) increasing the spinning capacity from 22,000 to 42,000 spindles (estimated capex of Rs 600-650 mn). (2) Investment towards setting up a 3.5 lac sq ft integrated warehouse in Kolkata.

## RISK / NEGATIVE FACTORS:

- Volatile raw material (cotton yarn) prices.
- Increase in Goods & Services Tax.
- High competition from both organized and unorganized players.

## COMPANY RECAP

- Dollar Industries Ltd. was established in 1972 by Dindayal Gupta as a proprietorship, the company was incorporated in 2005 as Bhawani Textiles, and then renamed as Dollar Industries in 2008. It began its journey with its signature brand "Dollar" in men's vests and briefs. Now, it has a wide range of men's, women's and kids' innerwear.
- The company is backward integrated and has manufacturing locations at Tirupur, Kolkatta, Delhi and Ludhiana with spinning capacity of 400 tonnes per month, knitting capacity of 300 tonnes per month, dyeing and bleaching capacity of 400 tonnes per month, cutting capacity of 3 lac pieces per day and elastic production capacity of 10 lakh metres per month.
- The company manufactures more than 350 products across the all innerwear segments and has been able to follow a tiered pricing strategy across the brands which helped the consumers to gradually up-trade the product category without incurring substantial increments.
- DIL's operations are spread across India, with the northern region contributing a major chunk of the revenue, followed by eastern, western and southern regions.

## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>Revenue from operations</b>	<b>926</b>	<b>1029</b>	<b>967</b>	<b>1037</b>	<b>1350</b>	<b>1565</b>	<b>1820</b>
Growth YoY (%)		11.2	-6.0	7.2	30.2	16	16.3
<b>Total Expenditure</b>	<b>802</b>	<b>894</b>	<b>864</b>	<b>901</b>	<b>1131</b>	<b>1310</b>	<b>1502</b>
(%) of sales	86.6	86.9	89.3	86.9	83.7	83.7	82.5
<b>EBITDA</b>	<b>124</b>	<b>136</b>	<b>104</b>	<b>138</b>	<b>220</b>	<b>255</b>	<b>318</b>
EBITDA Growth (%)		9.6	-23.5	32.7	59.4	15.9	24.7
EBITDA Margin (%)	13.4	13.2	10.8	13.3	16.3	16.3	17.5
Depreciation	12	11	14.2	15.5	16.6	17.8	18.7
<b>EBIT</b>	<b>112</b>	<b>147</b>	<b>90.4</b>	<b>123</b>	<b>203</b>	<b>237</b>	<b>299</b>
EBIT Growth (%)		31.3	-38.1	36.1	65.0	16.8	26.2
Net Interest Expenses	18	16	16	9	10	9	9
Other Income	2	2	5	4	7	9	10
<b>Earnings before Taxes</b>	<b>96</b>	<b>133</b>	<b>79</b>	<b>117</b>	<b>200</b>	<b>237</b>	<b>300</b>
EBT Margin (%)	10.3	10.6	8.1	11.3	14.8	15.1	16.5
Tax-Total	31	43	20	30	51	62	78
Rate of tax (%)	33	33	26	26	26	26	26
<b>Net Profit</b>	<b>64</b>	<b>90</b>	<b>57</b>	<b>85</b>	<b>147</b>	<b>175</b>	<b>222</b>
PAT Growth (%)		40.6	-36.6	49.1	72.9	19.0	26.9
PAT Margin (%)	6.9	7.2	5.9	8.2	10.9	11.2	12.2
<b>EPS</b>	<b>11.2</b>	<b>13</b>	<b>10.1</b>	<b>15.0</b>	<b>25.9</b>	<b>30.9</b>	<b>39.2</b>
EPS Growth (%)		16.7	-22.3	48.5	72.6	19.3	26.9

### Balance Sheet

Y/E March	2018	2019	2020	2021	2022
Share Capital	11	11	11	11	11
Reserves	341	404	449	525	660
<b>Net Worth</b>	<b>352</b>	<b>415</b>	<b>460</b>	<b>536</b>	<b>676</b>
Borrowings	184	223	210	124	214
Other Liabilities	137	169	149	176	226
<b>Total Liabilities &amp; Equity</b>	<b>673</b>	<b>808</b>	<b>820</b>	<b>837</b>	<b>1111</b>
Fixed Assets	68	70	74	85	93
CWIP	2	2	14	15	50
Investments	3	6	6	5	5
Other Assets	599	730	725	733	963
<b>Total Assets</b>	<b>673</b>	<b>808</b>	<b>820</b>	<b>837</b>	<b>1111</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	6.9	7.2	5.9	8.2	10.9
EBITDA margin (%)	13.4	13.2	10.8	13.3	16.3
EBIT margin (%)	12.1	14.3	9.3	11.8	15.0
ROE (%)	14.7	19.3	13.5	17.3	24.5
ROCE (%)	24	22	15	19	27
Current Ratio	2.2	1.9	2.1	2.5	2.2
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	101	124	45	49	43
Inventory (Days)	254	273	115	118	109
Receivables (Days)	107	123	136	116	99
<b>Valuations Ratios</b>					
EV/sales (x)	2.6	1.8	0.9	1.4	2.5
EV/EBITDA (x)	19.4	18.7	25.4	18.6	12.1
P/E (x)	33.2	37.8	42.7	28.7	16.7
P/BV (x)	5.9	4.0	5.3	4.5	3.7
Dividend Yield (%)	0.4	0.4	0.4	0.7	0.7
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.5	0.5	0.5	0.2	0.3

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>CF from Operating activities (A)</b>	<b>-31</b>	<b>1</b>	<b>53</b>	<b>132</b>	<b>0</b>
<b>CF from Investing Activities (B)</b>	<b>-11</b>	<b>-16</b>	<b>-25</b>	<b>-22</b>	<b>-62</b>
<b>CF from Financing Activities (C)</b>	<b>51</b>	<b>16</b>	<b>-43</b>	<b>-109</b>	<b>55</b>
Net Cash Flow	9	1	-15	1	-7
Add: Opening Bal.	10	19	20	5	6
<b>Closing Balance</b>	<b>19</b>	<b>20</b>	<b>5</b>	<b>6</b>	<b>-1</b>

Source: Company, Hem Securities Research.





## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
22 June 2022	Buy	537 (+18%)

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Name of the Research Analyst: AARUSHI LUNIA

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2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
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7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.