

CMP: INR 367

Rating: BUY

Target Price: INR 540

Stock Info

BSE	541403
NSE	DOLLAR
Bloomberg	DOLLAR IN
Reuters	DOLL.NS
Sector	Textile
Face Value (INR)	2
Equity Capital (INR Cr)	11.34
Mkt Cap (INR Cr)	2,081
52w H/L (INR)	555/337
Avg Daily Vol (in 000')	79.38

Shareholding Pattern %

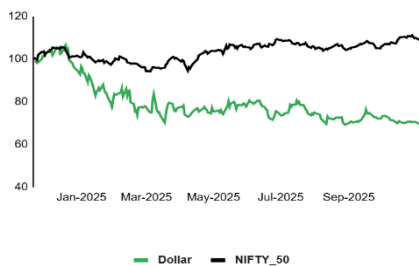
(As of Sept 2025)

Promoters	72.21
FII	4.29
DII	0.99
Public & Others	22.51

Stock Performance (%)

	1m	3m	12m
Dollar Industries	1.93	0.23 (27.8)	
Nifty 50	2.85	5.19	10.1

DIL Vs Nifty 50



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Dollar Industries Ltd's Q2FY26 consolidated results surpassed expectations, driven by robust YoY revenue growth, margin expansion, and sharp rises in EBITDA and PAT, with revenue up 5.59% YoY to INR 471.86 Cr (+18.22% QoQ) beating the estimate of INR 469 Cr; gross margin expanding +276 bps YoY to 56.48% (-127 bps QoQ) in line with the 56% estimate; EBITDA surging +23.26% YoY to INR 60.31 Cr (+40.63% QoQ) exceeding the INR 54 Cr forecast; EBITDA margin widening +183 bps YoY to 12.78% (+204 bps QoQ) ahead of the 11.5% estimate; and PAT climbing 31.56% YoY to INR 34.75 Cr (+59.45% QoQ) far outperforming the anticipated 5.2% growth. This improvement is driven by operating leverage benefits and disciplined cost optimization, including a targeted reduction in advertising spends.

Strategic Consolidation through Merger: The proposed merger of nine promoter group companies into Dollar Industries effectively consolidates the Dollar brand fully under the listed entity, eliminating related party transactions and strengthening operational control. This restructuring enhances governance, lowers overhead costs, including rent and employee expenses, and is expected to yield annual cost savings while boosting intrinsic asset value and operational efficiency.

Strong Traction in Premiumization and New Age Channels: Dollar's premium innerwear segment, including Force NXT and Champion Range, continues to outperform with high double-digit volume growth rates, reflecting accelerating consumer preference for differentiated, higher-margin products. Modern trade, e-commerce, and quick commerce channels now contribute over 10% of total revenues and are scaling rapidly, enhancing visibility, faster consumer access, and supporting premiumization strategies.

Valuation & Outlook: The company is expected to maintain a strong growth trajectory with mid-teens revenue CAGR over the next few years, driven by volume expansion and premiumization, supported by stable raw material costs and cost efficiencies from recent mergers. Margin expansion toward 14% is achievable on operating leverage and disciplined advertising spending. The company's focus on modern trade, e-commerce, and quick commerce channels, along with expanding retail distribution and SKU depth, positions it well for sustainable profitability and cash flow growth, making it an attractive long-term investment in the innerwear sector. We maintain TP of INR 540 valued at a P/E multiple of 20x the FY27E EPS of INR 27, yielding an upside of 45%, and upgrade to a 'BUY' rating.

INR Cr	FY23	FY24	FY25	FY26E	FY27E
Revenue	1,394	1,572	1,710	1,928	2,183
YoY growth (%)	3.2	12.8	8.8	12.7	13.2
EBITDA	98	159	183	238	275
EBITDA Margin%	7.0	10.1	10.7	12.4	12.6
Reported PAT	53	91	92	133	157
YoY growth (%)	(64.1)	72.1	0.9	43.8	18.6
EPS (Rs)	9.4	16.1	16.3	23.4	27.7
P/E (x)	43.0	25.0	24.8	17.2	14.5
Price/Book (x)	3.2	2.9	2.7	2.4	2.1
EV/EBITDA (x)	25.3	16.6	14.6	9.6	7.7
Debt/Equity (x)	0.3	0.4	0.4	0.2	0.1
RoE (%)	7.5	12.3	11.3	14.5	15.1

INR Cr (consolidated)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Revenue from Operations	471.86	399.1	446.87	18.22%	5.59%
Raw Material Cost	205.34	168.6	206.80	21.76%	-0.71%
Gross Profit	266.52	230.5	240.07	15.63%	11.01%
Gross Margin	56.48%	57.75%	53.72%	-127bps	276bps
Sub Contract Expenses	102.49	89.0	90.40	15.15%	13.38%
Employee cost	30.39	27.1	26.17	12.19%	16.13%
Other Expenses	73.33	71.5	74.58	2.55%	-1.68%
EBITDA	60.31	42.9	48.93	40.63%	23.26%
<i>EBITDA margin %</i>	<i>12.78%</i>	<i>10.74%</i>	<i>10.95%</i>	<i>204bps</i>	<i>183bps</i>
Other Income	1.43	0.7	1.14	116.09%	25.34%
Depreciation	9.88	9.5	9.00	4.31%	9.75%
EBIT	51.86	34.1	41.07	52.19%	26.28%
Finance cost	6.10	6.5	7.14	-5.59%	-14.54%
Profit/ Loss on equity investment	0.52	0.7	0.27	-31.26%	87.59%
PBT	46.28	28.4	34.20	63.15%	35.29%
Tax Expense	11.52	6.6	7.79	75.43%	47.94%
Effective tax rate %	25%	23%	23%	174bps	213bps
PAT	34.75	21.8	26.42	59.45%	31.56%
<i>PAT margin %</i>	<i>7.37%</i>	<i>5.46%</i>	<i>5.91%</i>	<i>190bps</i>	<i>145bps</i>
EPS (INR)	6.20	3.76	4.67	64.89%	32.76%

Source: Arian Research, Company Filings

Improvement in Working Capital Metrics: The company has demonstrated improvement in working capital management, with a reduced cash conversion cycle (167 days vs. 173 days earlier), aided by lower receivable days and moderated inventory post-seasonal stocking. Enhanced distributor reach under Project Lakshya and stringent debtor controls are expected to further optimize these metrics and cash flows in the medium term.

Stable Input Costs Supporting Margin Stability: Stability in raw material costs, particularly yarn and cotton, since April 2025 has contributed to gross margin expansion. Dollar Industries is well-positioned to maintain margin resilience given this cost stability and operational efficiencies from capacity additions, including a new spinning unit which will help further rationalize fixed costs as scale improves.

Disciplined Capital Allocation and Debt Reduction Focus: The company exhibits disciplined financial management with a comfortable leverage profile (net debt to equity at 0.36), generating healthy operating cash flow and targeting further debt reduction. Limited near-term capex will allow a focus on free cash flow generation and balance sheet strengthening, which supports financial flexibility for growth initiatives or value-enhancing activities.

Growth Visibility from Network Expansion and Product Portfolio: Dollar Industries targets expanding its active retail footprint to 2.5 lakh outlets, with a balanced approach between adding new points of sale and increasing volumes at existing locations. This retail expansion, combined with SKU depth and a strong product portfolio across segments including women's innerwear and winter essentials, positions the company for sustainable double-digit volume growth over the medium term.

Income statement (INR cr)	FY23	FY24	FY25	FY26E	FY27E
Revenue	1,394	1,572	1,710	1,928	2,183
Net Raw Materials	981	1066	1143	1269	1437
Advt & Promotion	223	341	357	402	455
Employee Cost	77	89	102	112	120
Other Expenses	238	258	283	309	350
EBITDA	98	159	183	238	275
EBITDA %	7.0	10.1	10.7	12.4	12.6
Depreciation	(18)	(21)	(38)	(40)	(41)
Interest expense	(14)	(18)	(28)	(30)	(31)
Other income	5	4	5	6	7
Share of profits associate & JV	(6)	(2)	2	2	3
Profit before tax	66	122	124	177	214
Taxes	(13)	(30)	(32)	(44)	(57)
Reported Net profit	52	91	92	133	157
EPS	9.1	16.1	16.3	23.4	27.7
Balance sheet Consolidated (INR cr)	FY23	FY24	FY25	FY26E	FY27E
Equity capital	11	11	11	11	11
Reserves	696	770	845	960	1,094
Net worth	707	781	856	971	1,106
Debt	201	349	374	224	74
Other non-current liabilities	11	12	10	10	10
Total Liabilities	920	1,145	1,244	1,209	1,195
Fixed assets	83	212	258	100	59
Capital Work In Progress	88	17	1	1	1
Other non current assets	45	49	31	0	0
Net working capital	698	859	949	892	892
Inventories	358	487	544	494	494
Sundry debtors	428	493	559	562	562
Loans & Advances	0	0	0	0	0
Other current assets	65	81	77	102	102
Sundry creditors	(138)	(182)	(208)	(258)	(258)
Other current liabilities & Provisions	(16)	(20)	(24)	(8)	(8)
Cash	1	2	0	211	237
Other Financial Assets	5	3	4	5	5
Cashflow Consolidated (INR cr)	FY23	FY24	FY25	FY26E	FY27E
Profit before tax	66	122	124	177	214
Depreciation	18	21	38	40	41
Tax paid	(13)	(30)	(32)	(44)	(57)
Working capital Δ	43	(161)	(90)	57	-
Operating cashflow	113	(48)	40	229	198
Capital expenditure	(55)	(79)	(68)	119	(1)
Free cash flow	58	(127)	(29)	348	198
Equity raised	(7)	(0)	(0)	-	(24)
Others	(12)	(5)	20	29	(1)
Debt financing/disposal	(36)	148	25	(150)	(149)
Dividends paid	(10)	(17)	(17)	(17)	-
Other items	8	3	(0)	-	1
Net Δ in cash	1	1	(2)	210	27
Opening Cash Flow	1	1	2	0	211
Closing Cash Flow	1	2	0	211	237

Source: Arihant Research, Company Filings

Ratios	FY23	FY24	FY25	FY26E	FY27E
Growth matrix (%)					
Revenue growth	3.2	12.8	8.8	12.7	13.2
Operating profit growth	(55.3)	61.5	15.1	30.5	15.5
Net profit growth	(64.3)	74.2	0.9	43.8	18.6
Profitability ratios (%)					
RoCE	7.5	10.4	9.5	12.7	15.1
RoNW	7.5	12.3	11.3	14.5	15.1
RoA	5.6	8.0	7.4	11.0	13.1
Per share ratios					
Dividend per share	1.7	3.0	3.0	3.0	-
Book value per share	124.7	137.7	150.9	171.3	194.8
Valuation ratios					
P/E	43.0	25.0	24.8	17.2	14.5
P/CEPS	32.6	20.3	17.6	13.2	11.5
P/B	3.2	2.9	2.7	2.4	2.1
EV/EBIDTA	25.3	16.6	14.6	9.6	7.7
Payout (%)					
Dividend payout	18.4	18.6	18.5	12.8	-
Tax payout	20.1	24.9	25.5	25.0	26.5
Liquidity ratios					
Debtor days	110.6	112.9	117.7	105.0	-
Inventory days	131.3	164.3	171.4	140.0	-
Creditor days	38.2	46.4	49.1	55.0	-
Leverage ratios					
Interest coverage	6.0	7.7	5.3	6.8	7.8
Net debt / equity	0.3	0.4	0.4	0.0	(0.1)
Net debt / op. profit	2.0	2.2	2.0	0.1	(0.6)
Du-Pont Analysis	FY23	FY24	FY25	FY26E	FY27E
Tax burden (x)	0.8	0.8	0.7	0.8	0.7
Interest burden (x)	0.8	0.9	0.8	0.9	0.9
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.3	1.4	1.3	1.3	1.5
Financial leverage (x)	1.5	1.6	1.7	1.6	1.4
RoE (%)	7.6	12.3	11.3	14.5	15.1

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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