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Generating Wealth

Q1FY26 Result Update
12th Aug 2025

Dollar Industries Ltd

CMP: INR 370

Rating: BUY

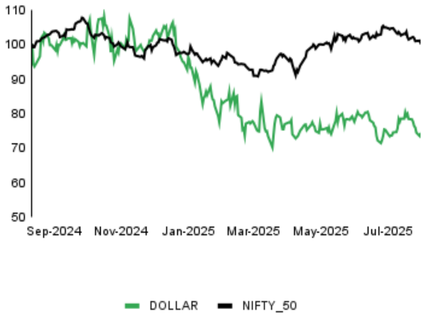
Target Price: INR 540

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)	2,100
52w H/L (INR)	566/350
Avg Daily Vol (in 000')	83.44

Shareholding Pattern % *(As on Jun 2025)*	
Promoters	72.21
FII	1.84
DII	1.48
Public & Others	24.47

Stock Performance (%)	1m	3m	12m
Dollar Industries	(7.33)	(5.45)	(27.3)
Nifty 50	(2.24)	(1.62)	0.71

DIL Vs Nifty 50



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Dollar Industries Ltd reported a strong Q1 FY26 performance, with revenue up 19.59% YoY to INR 399.13 Cr (-27.32% QoQ), surpassing our estimate of INR 370.44 Cr, driven by 18.7% YoY volume growth. EBITDA rose 20.44% YoY to INR 42.88 Cr (-24.13% QoQ), beating our INR 40.75 Cr estimate, while the EBITDA margin expanded 8 bps YoY to 10.74%, aligning with our 11% forecast. PAT grew 36.21% YoY to INR 21.8 Cr (-26.99% QoQ), exceeding our INR 18.93 Cr estimate, despite a gross margin contraction of 203 bps YoY to 57.75% (+913 bps QoQ), outperforming our 48% expectation. Modern trade, e-commerce, and quick commerce channels delivered 65.2% YoY revenue growth and 82.0% volume growth, contributing 12.2% to revenue (up from 8.7% in Q1 FY25), with quick commerce at 3.1%. Force NXT grew 23.0% YoY in value and 17.5% in volume.

Revenue contributions: In Q1 FY26, the company derived 45% of revenue from North India, 24% each from East and West, and 7% from South. Dollar Big Boss contributed 40% and Dollar Always 42.3% dominated brand mix, followed by women's 8%, athleisure/Dollar Protect 4%, premium Force NXT 4%, and socks 2%. Innerwear contributed 79% of sales, outerwear 20%, Management expects faster growth in athleisure(currently 12%) and rainwear versus core innerwear, with the premium segment (8% of sales) delivering a high EBITDA margin contribution of 24–25%.

EBOs: The company has paused EBO expansion, abandoning its FY26 target of 125 stores (current: 17) due to low ASPs, unviable per-ticket value, difficulty in finding franchisees, and high capital needs of the COCO model. While EBOs remain strategic as brand experience hubs, management is experimenting with kiosks/smaller formats and focusing on boosting ticket values before scaling up.

Valuation & Outlook: The company targets 11–12% volume-led growth driven by premiumization, high-margin segments, and expanding modern trade/e-commerce channels, supported by stable cotton prices. With no major capex, focus remains on reducing net debt to near zero by FY28 and improving the cash cycle to ~150 days by FY26. While Project Lakshya's rollout is slower, its long-term benefits. 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

Source: Arihant Research, Company Filings

INR Cr (consolidated)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Revenue from Operations	**399.1**	**549.1**	**333.7**	***-27.32%***	***19.59%***
Raw Material Cost	168.6	282.1	134.2	*-40.23%*	*25.63%*
Gross Profit	230.5	267.0	199.5	*-13.67%*	*15.53%*
Gross Margin	57.75%	48.62%	59.78%	*913bps*	*-203bps*
Subcontract Expenses	89.0	103.6	80.6	*-14.08%*	*10.39%*
Employee cost	27.1	26.4	23.0	*2.76%*	*17.69%*
Other Expenses	71.5	80.5	60.2	*-11.19%*	*18.69%*
EBITDA	**42.9**	**56.5**	**35.6**	***-24.13%***	***20.44%***
EBITDA margin %	*10.74%*	*10.29%*	*10.67%*	*45bps*	*8bps*
Other Income	0.7	1.8	0.7	*-62.83%*	*-4.31%*
Depreciation	9.5	10.7	8.4	*-11.33%*	*12.43%*
EBIT	**34.1**	**47.6**	**27.9**	***-28.45%***	***22.25%***
Finance cost	6.5	6.9	6.7	*-6.91%*	*-3.79%*
Profit/ Loss on equity investment	0.7	0.3	0.4	*125.58%*	*108.92%*
PBT	**28.4**	**41.0**	**21.5**	***-30.85%***	***31.82%***
Tax Expense	6.6	11.2	5.5	*-41.17%*	*19.10%*
Effective tax rate %	23%	27%	26%	*-406bps*	*-247bps*
PAT	**21.8**	**29.9**	**16.0**	***-26.99%***	***36.21%***
PAT margin %	*5.46%*	*5.42%*	*4.79%*	*4bps*	*67bps*
EPS (INR)	**3.76**	**5.16**	**2.70**	***-27.13%***	***39.26%***

Source: Arihant Research, Company Filings

Lakshya Project Continued to Scale with Improved Metrics: Lakshya Project contributed 32.2% of Q1FY26 revenue (vs. 26% in FY24, 25% in FY25), with rollout deliberately slowed from the original 70% FY26 target to protect market share amid competitive intensity. Mature states show strong volume gains (Gujarat 25%, Haryana 18%, Andhra 40–50%, Odisha 21%), supported by benefits such as 30–35-day lower debtor days, optimized 30–45-day distributor inventory, fixed-margin profitability (ROI 18–28%), and real-time sales data via SAP-integrated systems. While no new states are being added, focus remains on deepening penetration in existing markets (Jharkhand, Bihar, Himachal, Maharashtra) before nationwide completion.

Net Debt: Reduced from INR 329 crore in March 2025 to INR 278 crore as of 30 June 2025, the company are committed to further lowering debt, with no significant capex planned for the next couple of years, They aim to be near debt-free by FY28.

Input Cost: Cotton prices have remained stable at INR 55,000–56,000/candy for six months, with no major fluctuations expected over the next 6–12 months given strong crop prospects. As 80% of raw material needs are met via yarn and only 20% through cotton for its spinning unit, the company sees no need for cotton hedging.

Advertisement: In Q1 FY26, ad spend rose 18% YoY to INR 29 cr (boosted by IPL promotions), with FY26 spend targeted at INR 85–90 cr (4–5% of revenue) vs. INR 100 cr last year.

Exports & Inorganic Growth: Exports stood at INR 16.5 cr across 15 countries, with strength in the Gulf and focus on expanding in Africa and Myanmar, though African entry remains challenged by counterfeits, private labels, and cost barriers. The company remains open to inorganic growth or brand acquisitions if suitable opportunities arise.

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: Arihant 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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