

CMP: INR 519

Rating: Accumulate

Target Price: INR 603

Stock Info

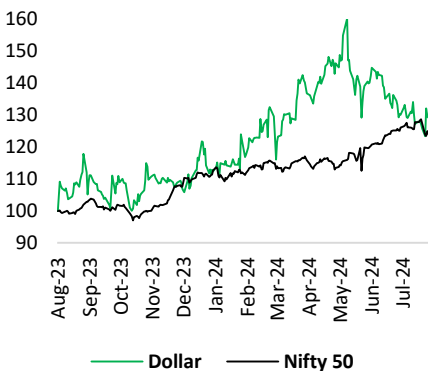
BSE	541403
NSE	DOLLAR
Bloomberg	DOLLAR IN
Reuters	DOLL.NS
Sector	Textile
Face Value (INR)	2
Equity Capital (INR Cr)	11
Mkt Cap (INR Cr)	2,734
52w H/L (INR)	502/ 476
Avg Daily Vol (in 000')	154

**Shareholding Pattern %
(As on September 2024)**

Promoters	72.21
FII	2.02
DII	0.79
Public & Others	25.00

Stock Performance (%)	1m	3m	12m
Dollar Industries	(7.7)	(17.1)	17.0
Nifty 50	(1.5)	9.2	24.3

DIL Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114872

Anushka Chitnis
Anushka.chitnis@arihantcapital.com
022 67114870

Dollar delivered an impressive set of numbers- with revenue growth being below expectations but still healthy. Margins and PAT beat expectations despite seasonality. Revenue was up 8.33% YoY to INR 447 Cr, missing our estimate of INR 454 Cr by 2% (+33.9% QoQ). EBITDA was up 17.21% YoY to INR 49 Cr, beating our estimate of INR 46 Cr by 6.36% (+37.76% QoQ). EBITDA Margin expanded 83bps to 10.95%, beating our estimate of 10.13% by 82bps (+31bps QoQ). PAT was up 6.20% to INR 26 Cr, beating our estimate of INR 24 Cr. (+66.01% QoQ). Actor Mahesh Babu is the brand ambassador for Dollar Bigboss in South India. Force NXT experienced robust growth (29.7% YoY value, 37.9% YoY volume in Q2), driven by innerwear, activewear, and socks.

Guidance: They expect to attain the INR 2,000 Cr top line target by FY26 with margins in the range of 13-14%. The sustainable long-term EBITDA margin is targeted at 14-15%. They also plan to become debt free by FY27-28 and are aiming for a cash conversion cycle of 135 days by FY26.

SAP Hana implementation successfully completed and stabilized.

Success of Project Lakshya: They added 17 new distributors in H1, bringing the total to 307. This project has contributed 30.6% to H1 revenue (up from 26.3% in FY24). They maintain their target of 65-70% revenue contribution from this project by FY26.

E-commerce and Quick-commerce growth in strides: They have added platforms like Zepto and Swiggy Instamart with plans to onboard more players such as Flipkart Minute and Myntra Speed. Ecommerce revenue growth was 210.8% YoY for Q2 and 187.4% YoY, contributing 5.4% of revenue for H1.

EBO Network expansion: They are operating 17 EBOs under the FOF0 model. With a target to reach 125 EBOs by 2026.

Competitive Landscape: Competitive intensity has remained high for the past few quarters post covid although now, discounting has stabilized

Valuation & Outlook: Despite competitive pressures, the company has been consistent with its revenue and profitability, and we expect major margin recapture to take place in H2 with thermal wear. We assign a TP of INR 603 valued at a P/E multiple of 25x the FY26E EPS of INR 24.1, yielding an upside of 16%, and an 'ACCUMULATE' rating.

INR Cr	FY23	FY24	FY25E	FY26E
Revenue	1,394	1,572	1,718	1,938
YoY growth (%)	3.2	12.8	9.3	12.8
Operating profit	98	159	180	223
OPM (%)	7.0	10.1	10.5	11.5
Reported PAT	53	91	104	137
YoY growth (%)	(64.1)	72.1	13.6	31.8
EPS (Rs)	9.4	16.1	18.3	24.1
P/E (x)	55.4	32.2	28.4	21.5
Price/Book (x)	4.2	3.8	3.4	3.0
EV/EBITDA (x)	32.0	20.7	17.2	13.5
Debt/Equity (x)	0.3	0.4	0.4	0.3
RoE (%)	7.5	12.3	12.6	14.7

Source: Arihant Research, Company Filings

INR Cr (Consolidated)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Revenue from Operations	447	334	413	33.90%	8.33%
Raw Material Cost	207	134	190	54.06%	8.95%
Gross Profit	240	199	223	20.34%	7.79%
Gross Margin	53.72%	59.78%	53.99%	-605bps	-27bps
Sub Contract Expenses	90	81	88	12.11%	2.42%
Employee cost	26	23	22	13.24%	16.60%
Other Expenses	75	60	70	23.80%	6.13%
EBITDA	49	36	42	37.76%	17.21%
<i>EBITDA margin</i>	<i>10.95%</i>	<i>10.64%</i>	<i>10.12%</i>	<i>31bps</i>	<i>83bps</i>
Other Income	1	1	1	64.97%	116.21%
Depreciation	9	8	4	6.85%	110.80%
EBIT	41	28	38	47.81%	8.08%
Finance cost	7	7	4	6.28%	83.58%
Profit/ Loss on equity investment	0	0	-1	-23.44%	-139.72%
PBT	34	21	33	59.63%	2.35%
Tax Expense	8	6	9	41.22%	-8.86%
Effective tax rate	23%	26%	26%	-297bps	-280bps
PAT	26	16	25	66.01%	6.20%
<i>PAT margin</i>	<i>5.90%</i>	<i>4.76%</i>	<i>6.02%</i>	<i>114bps</i>	<i>-13bps</i>
EPS (INR)	4.67	2.70	4.38	72.96%	6.62%

Source: Arihant Research, Company Filings

Marketing Initiatives: 40-45% of the total budget was spent on TV commercials, 20% on digital marketing, and the remainder on outdoor holdings, retail branding, and point-of-sale visibility.

No price hikes were taken in the past year; a planned hike in Q1 was reversed due to competitive pressures.

There was a **slight drop in gross margin** due to incentives on thermal products, with raw material prices remaining stable.

The addition of distributors under Project Lakshya in H1 was lower than expected.

Exports: Currently present in 15 countries, aiming for 11% of total revenue from 30 countries by FY26.

Income statement (INR cr)	FY23	FY24	FY25E	FY26E
Revenue	1,394	1,572	1,718	1,938
Net Raw Materials	981	1066	1069	1202
Advt & Promotion	223	341	330	368
Employee Cost	77	89	98	116
Other Expenses	238	258	371	397
EBITDA	98	159	180	223
EBITDA %	7.0	10.1	10.5	11.5
Depreciation	(18)	(21)	(23)	(25)
Interest expense	(14)	(18)	(25)	(23)
Other income	5	4	5	6
Share of profits associate & JV	(6)	(2)	(2)	(2)
Profit before tax	66	122	137	180
Taxes	(13)	(30)	(33)	(43)
Reported Net profit	52	91	104	137
EPS	9.1	16.1	18.3	24.1
Balance sheet Consolidated (INR cr)	FY23	FY24	FY25E	FY26E
Equity capital	11	11	11	11
Reserves	696	770	857	976
Net worth	707	781	868	988
Debt	201	349	319	289
Other non-current liabilities	11	12	12	12
Total Liabilities	920	1,146	1,203	1,292
Fixed assets	83	212	154	157
Capital Work In Progress	88	17	28	31
Other non current assets	45	49	14	16
Net working capital	698	860	831	854
Inventories	358	487	445	467
Sundry debtors	428	493	525	565
Loans & Advances	0	69	19	22
Other current assets	65	81	91	102
Sundry creditors	(138)	(182)	(214)	(262)
Other current liabilities & Provisions	(16)	(88)	(36)	(40)
Cash	1	2	167	225
Other Financial Assets	5	3	5	5
Total Assets	920	1,146	1,203	1,292
Cashflow Consolidated (INR cr)	FY23	FY24	FY25E	FY26E
Profit before tax	66	122	137	180
Depreciation	18	21	23	25
Tax paid	(13)	(30)	(33)	(43)
Working capital Δ	43	(162)	28	(23)
Operating cashflow	113	(49)	155	138
Capital expenditure	(55)	(79)	24	(31)
Free cash flow	58	(128)	179	108
Equity raised	(7)	(0)	-	-
Others	(12)	(5)	33	(2)
Debt financing/disposal	(36)	148	(30)	(30)
Dividends paid	(10)	(17)	(17)	(17)
Other items	8	4	-	-
Net Δ in cash	1	1	165	58
Opening Cash Flow	1	1	2	167
Closing Cash Flow	1	2	167	225

Source: Arihant Research, Company Filings

Ratios	FY23	FY24	FY25E	FY26E
Growth matrix (%)				
Revenue growth	3.2	12.8	9.3	12.8
Operating profit growth	(55.3)	61.5	13.7	23.5
Net profit growth	(64.3)	74.2	13.6	31.8
Profitability ratios (%)				
RoCE	7.5	10.4	10.7	12.6
RoNW	7.5	12.3	12.6	14.7
RoA	5.6	8.0	8.6	10.6
Per share ratios				
Dividend per share	1.7	3.0	3.0	3.0
Book value per share	124.7	137.7	153.0	174.2
Valuation ratios				
P/E	55.4	32.2	28.4	21.5
P/CEPS	42.0	26.1	23.3	18.2
P/B	4.2	3.8	3.4	3.0
EV/EBIDTA	32.0	20.7	17.2	13.5
Payout (%)				
Dividend payout	18.4	18.6	16.4	12.4
Tax payout	20.1	24.9	24.0	24.0
Liquidity ratios				
Debtor days	110.6	112.9	110.0	105.0
Inventory days	131.3	164.3	150.0	140.0
Creditor days	38.2	46.4	50.0	55.0
Leverage ratios				
Interest coverage	6.0	7.7	6.5	9.0
Net debt / equity	0.3	0.4	0.2	0.1
Net debt / op. profit	2.0	2.2	0.8	0.3
Du-Pont Analysis	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.8	0.8	0.8	0.8
Interest burden (x)	0.8	0.9	0.8	0.9
EBIT margin (x)	0.1	0.1	0.1	0.1
Asset turnover (x)	1.3	1.4	1.3	1.3
Financial leverage (x)	1.5	1.6	1.6	1.6
RoE (%)	7.6	12.3	12.6	14.7

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880