

**CMP: INR 588**

**Rating: HOLD**

**Target Price: INR 623**

**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)	3,338
52w H/L (INR)	660/ 333
Avg Daily Vol (in 000')	151

**Shareholding Pattern %**

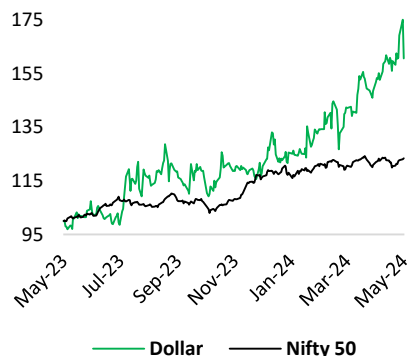
(As on March 2024)

Promoters	72.21
FII	2.08
DII	0.55
Public & Others	25.15

**Stock Performance (%)**

	1m	3m	12m
Dollar Industries	5.8	19.7	60.6
Nifty 50	1.2	1.7	23.4

**DIL Vs Nifty 50**



**Abhishek Jain**

[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)

022 67114872

**Anushka Chitnis**

[Anushka.chitnis@arihantcapital.com](mailto:Anushka.chitnis@arihantcapital.com)

022 67114870

**Dollar delivered a terrific performance ahead of industry recovery despite minor cost pressures.** Q4FY24 Revenue was up 23.03% YoY to INR 500 Cr, beating our estimate of INR 487 Cr by 3% (+50.79% QoQ). EBITDA was up 405.92% YoY to INR 57 Cr, meeting our estimate of INR 57 Cr (+75.24% QoQ). EBITDA Margin expanded 865bps to 11.43%, beating our estimate of 11.91% (+159bps QoQ). PAT was up multifold to INR 34 Cr, beating our estimate of INR 32 Cr. (+89.18% QoQ).

**High-cost inventory out of the system:** This led to a GM improvement of 256bps in FY24, and a reduction of inventory days from 159 days to 150 days.

**Premium mix:** The share of premium products is up to 27% of FY24 revenues and is targeted to be 33% by FY26. These include women's wear, thermals, and athleisure, and have a margin of 3-4% higher than that of nonpremium products.

**Guidance:** The management is confident of attaining a 12-13% top-line growth for FY25 with an 11-11.5% margin, and a 13-14% revenue growth for FY26. Volume growth is expected to be 11% with a 1-2% value growth. The earlier guidance of INR 2,000 Cr revenue by FY26 remains intact. Sustainable gross margins are 33-34%, and the industry is growing 7-8%.

**Project Lakshya:** 20% of total distributors now fall under the project (229 in FY23 vs 290 in FY24), and contribute to 26% of revenues vs 18.6% in FY23, targeted to reach 55-60% by FY26. These distributors had a volume growth of 26-27%. Non-project distributors registered a volume growth of 18-19%.

**EBO Count:** The target count of 120-125 by FY26 remains. This year they only opened 3, bringing the total count to 17. This is due to lower ATVs (INR 700). To break even, they need to be INR 1,200 which entails a need for further premiumization.

**Valuation & Outlook:** As stability returns to cotton prices, the company can now start taking pricing action, though growth will continue to be volume-led. The inventory situation remained challenged through FY24 and will abate as the number of distributors under project Lakshya rises and yarn prices remain range-bound. We foresee them maintaining stable low-teen growth over the next 2-3 years with high single-digit margins to boot. We assign a TP of INR 623 valued at a P/E multiple of 25x the FY26E EPS of INR 25, yielding an upside of 6.1%, and a 'Hold' rating.

INR Cr	FY23	FY24	FY25E	FY26E
Revenue	1,394	1,572	1,766	1,991
YoY growth (%)	3.2	12.8	12.3	12.7
Operating profit	98	159	189	229
OPM (%)	7.0	10.1	10.7	11.5
Reported PAT	53	91	110	141
YoY growth (%)	(64.1)	72.1	20.7	28.2
EPS (Rs)	9.4	16.1	19.4	24.9
P/E (x)	62.8	36.5	30.2	23.6
Price/Book (x)	4.7	4.3	3.8	3.3
EV/EBITDA (x)	36.0	23.2	18.5	14.9
Debt/Equity (x)	0.3	0.4	0.4	0.3
RoE (%)	7.5	12.3	13.3	15.1

Source: Arihant Research, Company Filings

INR Cr (Consolidated)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
<b>Revenue from Operations</b>	<b>500</b>	<b>332</b>	<b>406</b>	<b>50.79%</b>	<b>23.03%</b>
Raw Material Cost	244	136	244	78.92%	0.10%
Gross Profit	256	195	163	31.13%	57.43%
Gross Margin	51.19%	58.86%	40.00%	-767bps	1118bps
Sub Contract Expenses	103	83	63	24.15%	63.69%
Employee cost	24	22	21	7.07%	12.70%
Other Expenses	72	58	67	25.44%	7.11%
<b>EBITDA</b>	<b>57</b>	<b>33</b>	<b>11</b>	<b>75.24%</b>	<b>405.92%</b>
<i>EBITDA margin</i>	<i>11.43%</i>	<i>9.84%</i>	<i>2.78%</i>	<i>159bps</i>	<i>865bps</i>
Other Income	2	1	1	69.40%	65.85%
Depreciation	7	6	4	7.71%	56.05%
<b>EBIT</b>	<b>53</b>	<b>28</b>	<b>8</b>	<b>90.05%</b>	<b>534.43%</b>
Finance cost	6	5	3	28.56%	84.09%
Profit/ Loss on equity investment	-0	-0	-3	-60.36%	-98.29%
<b>PBT</b>	<b>46</b>	<b>23</b>	<b>2</b>	<b>104.09%</b>	<b>2274.72%</b>
Tax Expense	13	5	1	157.96%	750.13%
Effective tax rate	27%	22%	77%	572bps	-4914bps
<b>PAT</b>	<b>34</b>	<b>18</b>	<b>0</b>	<b>89.18%</b>	<b>7247.21%</b>
<i>PAT margin</i>	<i>6.69%</i>	<i>5.34%</i>	<i>0.11%</i>	<i>136bps</i>	<i>658bps</i>
<b>EPS (INR)</b>	<b>5.83</b>	<b>3.12</b>	<b>0.10</b>	<b>86.86%</b>	<b>5730.00%</b>

Source: Arihant Research, Company Filings

- **Operational highlights:**
- **Value- Volume mix:** In FY24 the company recorded volume growth of 21.4% (17.6% for Q4FY24).
- **Ad spends:** They are expected to remain at ~INR 100 Cr (~6% of revenues).
- **EBITDA margin for women's and kids' wear** is 16-17% vs 12-13% for menswear.
- The **ASP is INR 65**, which is a hard price point to compete at for other branded players.
- The **average finance cost** will be maintained at 7-8%.
- **Debtor days** were down by 2 in FY24.
- The contribution of **Project Lakshya** to revenues in Q4FY24 was 32%, vs 29% in Q3FY24. Distributors not under this project caused a drag on the company's WC management as their payments were slower and inventories were higher.

Income statement (INR cr)	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>1,394</b>	<b>1,572</b>	<b>1,766</b>	<b>1,991</b>
Net Raw Materials	981	1066	1095	1234
Advt & Promotion	223	341	336	378
Employee Cost	77	89	101	119
Other Expenses	238	258	382	408
<b>EBITDA</b>	<b>98</b>	<b>159</b>	<b>189</b>	<b>229</b>
<b>EBITDA %</b>	<b>7.0</b>	<b>10.1</b>	<b>10.7</b>	<b>11.5</b>
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)
<b>Profit before tax</b>	<b>66</b>	<b>122</b>	<b>145</b>	<b>186</b>
Taxes	(13)	(30)	(35)	(45)
<b>Reported Net profit</b>	<b>52</b>	<b>91</b>	<b>110</b>	<b>141</b>
<b>EPS</b>	<b>9.1</b>	<b>16.1</b>	<b>19.4</b>	<b>24.9</b>
Balance sheet Consolidated (INR cr)	FY23	FY24	FY25E	FY26E
Equity capital	11	11	11	11
Reserves	696	770	863	987
<b>Net worth</b>	<b>707</b>	<b>781</b>	<b>874</b>	<b>999</b>
Debt	201	349	319	289
Other non-current liabilities	11	12	12	12
<b>Total Liabilities</b>	<b>920</b>	<b>1,146</b>	<b>1,209</b>	<b>1,304</b>
Fixed assets	83	212	154	157
Capital Work In Progress	88	17	28	31
Other non current assets	45	49	15	17
<b>Net working capital</b>	<b>698</b>	<b>860</b>	<b>853</b>	<b>878</b>
Inventories	358	487	456	480
Sundry debtors	428	493	540	581
Loans & Advances	0	69	20	22
Other current assets	65	81	93	105
Sundry creditors	(138)	(182)	(219)	(269)
Other current liabilities & Provisions	(16)	(88)	(37)	(41)
Cash	1	2	151	212
Other Financial Assets	5	3	5	6
<b>Total Assets</b>	<b>920</b>	<b>1,146</b>	<b>1,209</b>	<b>1,304</b>
Cashflow Consolidated (INR cr)	FY23	FY24	FY25E	FY26E
Profit before tax	66	122	145	186
Depreciation	18	21	23	25
Tax paid	(13)	(30)	(35)	(45)
Working capital Δ	43	(162)	6	(24)
<b>Operating cashflow</b>	<b>113</b>	<b>(49)</b>	<b>139</b>	<b>142</b>
Capital expenditure	(55)	(79)	24	(31)
<b>Free cash flow</b>	<b>58</b>	<b>(128)</b>	<b>163</b>	<b>111</b>
Equity raised	(7)	(0)	-	-
Others	(12)	(5)	32	(2)
Debt financing/disposal	(36)	148	(30)	(30)
Dividends paid	(10)	(17)	(17)	(17)
Other items	8	4	-	-
<b>Net Δ in cash</b>	<b>1</b>	<b>1</b>	<b>148</b>	<b>62</b>
<b>Opening Cash Flow</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>151</b>
<b>Closing Cash Flow</b>	<b>1</b>	<b>2</b>	<b>151</b>	<b>212</b>

Source: Aриhant Research, Company Filings

Ratios	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>				
Revenue growth	3.2	12.8	12.3	12.7
Operating profit growth	(55.3)	61.5	19.1	21.2
Net profit growth	(64.3)	74.2	20.7	28.2
<b>Profitability ratios (%)</b>				
RoCE	7.5	10.4	11.2	12.9
RoNW	7.5	12.3	13.3	15.1
RoA	5.6	8.0	9.1	10.9
<b>Per share ratios</b>				
Dividend per share	1.7	3.0	3.0	3.0
Book value per share	124.7	137.7	154.2	176.1
<b>Valuation ratios</b>				
P/E	62.8	36.5	30.2	23.6
P/CEPS	47.6	29.6	25.1	20.0
P/B	4.7	4.3	3.8	3.3
EV/EBIDTA	36.0	23.2	18.5	14.9
<b>Payout (%)</b>				
Dividend payout	18.4	18.6	15.4	12.0
Tax payout	20.1	24.9	24.0	24.0
<b>Liquidity ratios</b>				
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
<b>Leverage ratios</b>				
Interest coverage	6.0	7.7	6.9	9.2
Net debt / equity	0.3	0.4	0.2	0.1
Net debt / op. profit	2.0	2.2	0.9	0.3
<b>Du-Pont Analysis</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
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
<b>RoE (%)</b>	<b>7.6</b>	<b>12.3</b>	<b>13.3</b>	<b>15.1</b>

Source: Arian Research, Company Filings

**Arihant Research Desk**Email: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> 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	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:research@arihantcapital.com">research@arihantcapital.com</a>

**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