

Dollar Industries	
CMP (INR)	439
Rating	Buy
TP	659
P/E FY26E	25x
Indo Count Industries	
CMP (INR)	245
Rating	Buy
TP	288
P/E FY26E	15x
Gokaldas Exports	
CMP (INR)	945
Rating	Buy
TP	613
P/E FY25E	20x
Raymond	
CMP (INR)	1,789
Rating	Accumulate
TP	2,116
EV/EBITDA FY25E	11x
Welspun Living	
CMP (INR)	130
Rating	Buy
TP	166
P/E FY25E	20x

CMP as of 14th October 2023

*We will revise our target post results

The textile industry is seeing green shoots in FY24 as the trend of rising input prices has corrected and remains range bound, domestic demand conditions are improving with the onset of the festive season and clearing out of built-up channel inventories, and international demand is on an uptick as retailers liquidate their inventory build-ups leading to an influx of orders for Indian manufactures as US retail sales improve. FTA discussions with the UK have reached advanced stages and will open up a huge opportunity for Indian textile players to gain significant market share in the UK on completion. Currently, India has to face higher tariffs on its exports to the UK vs countries Bangladesh and Pakistan which enjoy duty-free access to these markets.

Internationally, China is also losing its market share in textile exports to markets like the US and UK to countries like India, Pakistan, and Bangladesh. We expect H2FY24 to come with significant improvements in volume and profitability for the aforementioned reasons. As competitive intensity from the unorganized sector in the domestic market has increased significantly over the past year due to the correction in cotton prices (now range bound between INR 60,000 to INR 65,000 per candy) and as a result, many organized players have taken aggressively to brand building- keeping advertisement spends high (8-12% of revenues) and building a presence on the premium end of the value chain. However, in the international market, the level of competitive intensity is extremely favorable to Indian manufacturers.

Revenues: We expect a ballpark double-digit growth in revenues all around (except for Gokaldas Exports) owing to improvement in volumes both internationally and domestically, though there is an element of seasonality to the spike in demand. Most volume growth will be driven by the economic range of products. We expect to start seeing an improvement in utilization levels as well, as most players have built up capacities during the pandemic which will now start getting utilized as demand takes off and some players have also started looking toward inorganic opportunities. Inflation has started to moderate which puts less pressure on consumer wallets than before, leading to an encouraging overall demand sentiment for Q2FY24. Retailers that had previously built up inventories due to the uncertainty in container supply have all cleared out leading to companies like Welspun Living, Indo Count Industries, and Gokaldas Exports having good order book visibility for FY24.

Margins and profitability: All in all, we expect Gross Margin and EBITDA Margin recoveries across the board for the sector driven by input price corrections, and clearing out of high-cost inventories. A&P spending remains high for the industry as competition from informal players increases causing market leaders to increase brand investments to protect and grow market share. Inputs like cotton, yarn, and container prices have corrected and are now stable. They will be range-bound for the foreseeable future which is a major contributor to margin expansion and double-digit PAT growth.

Outlook: We expect to see an industry-wide recovery in textiles in H2FY24. In addition to the factors discussed above, the domestic industry is garnering government support via textile parks and the PLI scheme whereas in the international market, the effects of the China+1 strategy and vendor consolidation will spur growth. We expect a YoY consolidated Q2FY24 revenue growth of 11%/ 10%/ 2%/ 17%/ 9% on a consolidated basis for Dollar Industries/ Indo Count Industries/ Gokaldas Exports/ Raymond/ Welspun Living with EBITDA Margin expansion of 157bps/ 640bps/ 275bps/ 55bps/ 942bps and a PAT growth of 51.22%/ 66.77%/ 43.12%/ 46.63%/ 2,145.86% respectively.

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Dollar Industries (INR Cr)	Q2FY24E	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y	Remarks
Revenue	380	329	342	15.38%	11.00%	We expect Dollar to display double digit top-line growth pertaining to the return of volumes as channel inventories have cleared out at the distributor level. We also expect there to be some pricing action to be taken this year. Margin expansion will come from the clearing out of all high cost inventories. We expect Thermal sales to pick up significantly this year (~+40%) on a low base of last year.
EBITDA	40	28	30	41.83%	30.69%	
EBITDA Margin	10.43%	8.49%	8.86%	195bps	157bps	
PAT	26	16	17	61.56%	51.22%	
Indo Count Industries (INR Cr)	Q2FY24E	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y	Remarks
Revenue	928	741	844	25.23%	10.00%	Indo Count will display a sharp jump in revenues sequentially as well as YoY considering the holiday demand in key markets during this time, and the fact that major international retailers have cleared out their inventory pile-ups. Cotton prices are less volatile now and will remain range-bound for the foreseeable future which will be a major contributor to margin expansion.
EBITDA (Ex- OI)	186	125	115	48.61%	61.80%	
EBITDA Margin (Ex- OI)	20.00%	16.85%	13.60%	315bps	640bps	
PAT	112	74	67	51.46%	66.77%	
Gokaldas Exports (INR Cr)	Q2FY24E	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y	Remarks
Revenue	581	515	570	12.91%	2.00%	We expect Gokaldas to deliver flat revenue growth in the low- mid-single digits. Margin improvement will come from corrections in commodity prices combined with tax benefits from international operations in Africa. The company is actively looking toward expanding-organically and inorganically, which improves the medium-long term revenue and profit visibility.
EBITDA	77	61	60	26.82%	28.58%	
EBITDA Margin	13.30%	11.84%	10.55%	146bps	275bps	
PAT	43	33	30	31.98%	43.12%	
Raymond (INR Mn)	Q2FY24E	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y	Remarks
Revenue (Ex- OI)	25,368	17,715	21,682	43.21%	17.00%	We expect Raymond to deliver a mid to high-teens growth in revenue owing to healthy festive demand in domestic markets and vendor consolidation with the China+1 strategy in international markets. The developments made in Raymond Realty will be major drivers for revenue and margins in Q2 and going ahead as well. The company is also aggressive in constant product innovation in the lifestyle business which will contribute to double-digit growth going ahead.
EBITDA (Ex- OI)	4,059	1,966	3,350	106.43%	21.18%	
EBITDA Margin	16.00%	11.10%	15.45%	490bps	55bps	
PAT	2,375	10,667	1,620	-77.74%	46.63%	
Welspun Living (INR Mn)	Q2FY24E	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y	Remarks
Revenue	23,037	21,841	21,135	5.48%	9.00%	We expect Welspun Living to deliver a high single-digit growth driven by improving inventory position with international retailers. As cotton, container, and coal prices have corrected significantly and are now range-bound, we expect to see a subsequent improvement in the company's margin position as well. The emerging businesses (flooring + technical textiles) have been growing in leaps and bounds in their key markets and will continue to do so this year.
EBITDA	3,571	3,106	1,285	14.95%	177.83%	
EBITDA Margin	15.50%	14.22%	6.08%	128bps	942bps	
PAT	1,871	1,627	83	14.96%	2145.86%	

Source: Arianth Research

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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