



# Dollar Industries Ltd

Wear the Stock



**Kyon ki bhaiya, sabse bada rupaiya.**

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**BUY @ CMP INR 431**
**Target: INR 742 in 18-24 months**
**Upside Potential: 72.0%**

## Wear the Stock

Serving the masses since 1972 through their flagship brand Big Boss, Dollar Industries has evolved into one of the leading knitwear manufacturing companies in India. Growth in the past 3 years has been tepid at 3.9% CAGR due to economic upheavals such as implementation of GST, demonetization and the impact of Covid-19. However, we expect the company to resurrect the growth trajectory. Revenues are expected to grow at 17.6% CAGR over FY21-24 with an improvement in operating margins by 410 bps to 17.4% by FY24.

Their growth strategy is based on three pillars – a) brand architecture and logo change; b) ‘Lakshya Project’ which will enhance reach and deepen penetration; and c) investments in digitization.

The brand ‘Big Boss’ (spearheaded by the athleisure segment), and ‘Regular’ (economy range of products) which together account for ~77% of revenue are expected to grow at 12% CAGR. However, the focus brands, ‘Missy’ (women’s wear) and ‘Force Nxt’ (premium range), are expected to grow at ~40% CAGR.

To support this high growth, Dollar is nearly doubling the spinning capacity (22,000 spindles to 42,000 spindles) at a capex of INR 60 cr on existing land. The new capacity is expected to be completed by FY23 and will ensure good quality and timely availability of yarn. Further, a capex of INR 60 cr to build an integrated warehousing unit in Kolkata is expected to improve operating margins by 1.5%. This is expected to be commissioned by FY24.

We value Dollar at INR 741.5 (22.2X FY24 earnings) and initiate coverage with a BUY. At the CMP of Rs 426.7 the price objective represents a potential upside of 72.0% over the next 24 months.

Industry	Innerwear
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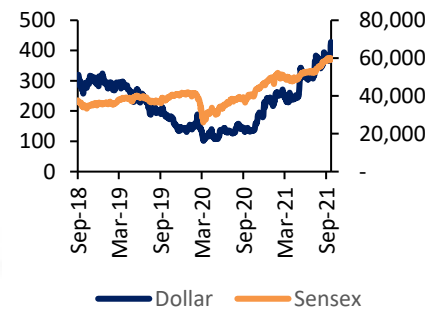
### Scrip Details

Face Value (INR)	2.0
Market Cap (INR Cr)	2,444
Price (INR)	431
No of Shares O/S (Cr)	5.67
3M Avg Vol (000)	346
52W High/Low (INR)	444/132
Dividend Yield (%)	0.56

### Shareholding (%) Jun 2021

Promoter	72.9
Institution	3.4
Public	23.7
<b>TOTAL</b>	<b>100.0</b>

### Price Chart

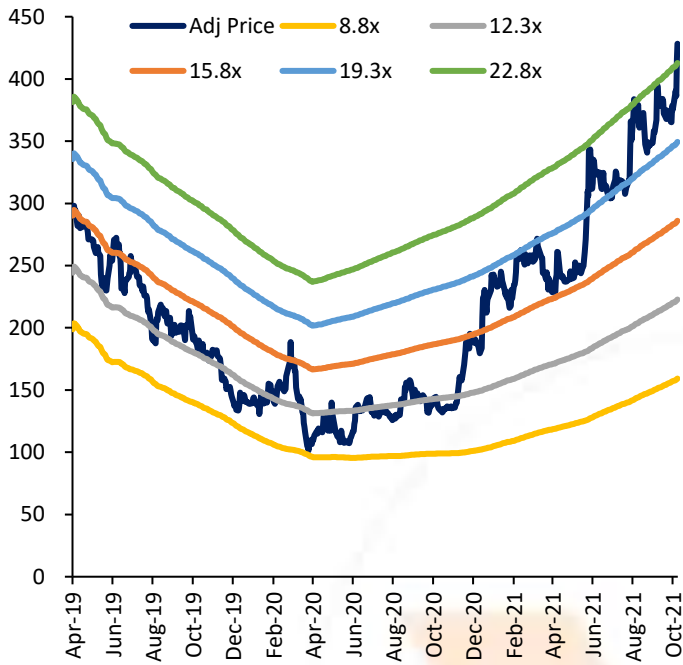


### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY20	967	106	57	10.9	5.9	10.1	81.3	12.4	10.3	42.6	5.3	25.1
FY21	1,037	138	85	13.3	8.2	15.0	94.6	15.9	14.0	28.7	4.6	18.5
FY22E	1,228	190	120	15.5	9.8	21.2	112.4	18.8	16.7	20.3	3.8	13.4
FY23E	1,441	227	141	15.8	9.8	24.9	133.4	18.7	17.0	17.3	3.2	11.3
FY24E	1,694	295	189	17.4	11.2	33.4	161.4	20.7	20.3	12.9	2.7	8.4

**Cheap valuations and strong business potential deserve re-rating**

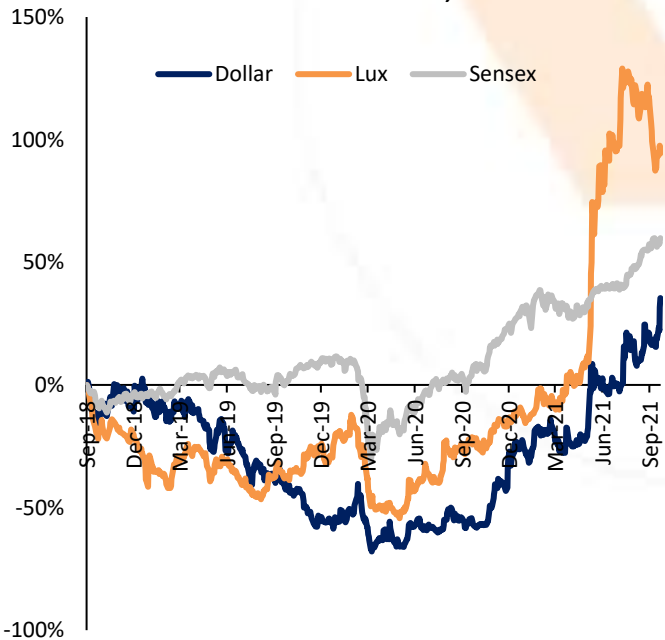
**1 year forward P/E band chart**



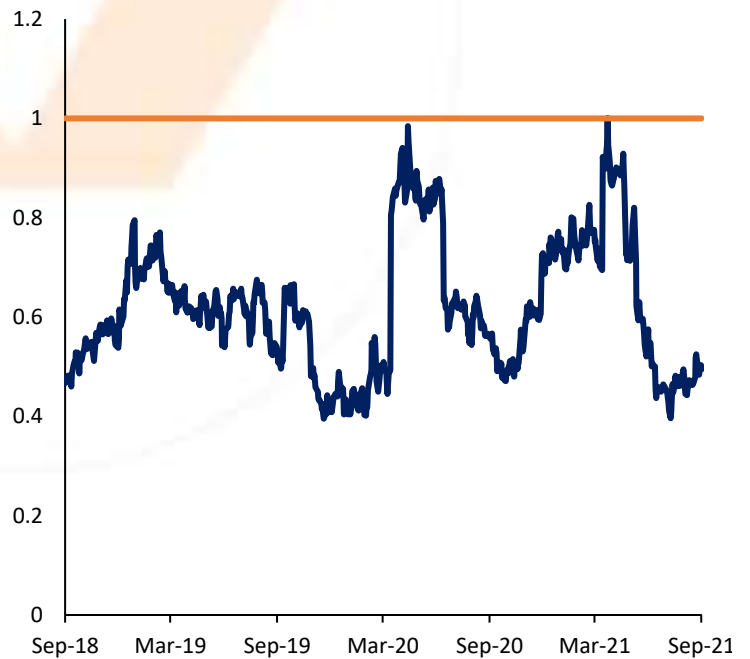
**Dollar P/E Trend**



**Price Performance of Dollar, Lux and Sensex**



**P/E Valuation of Dollar to Lux**

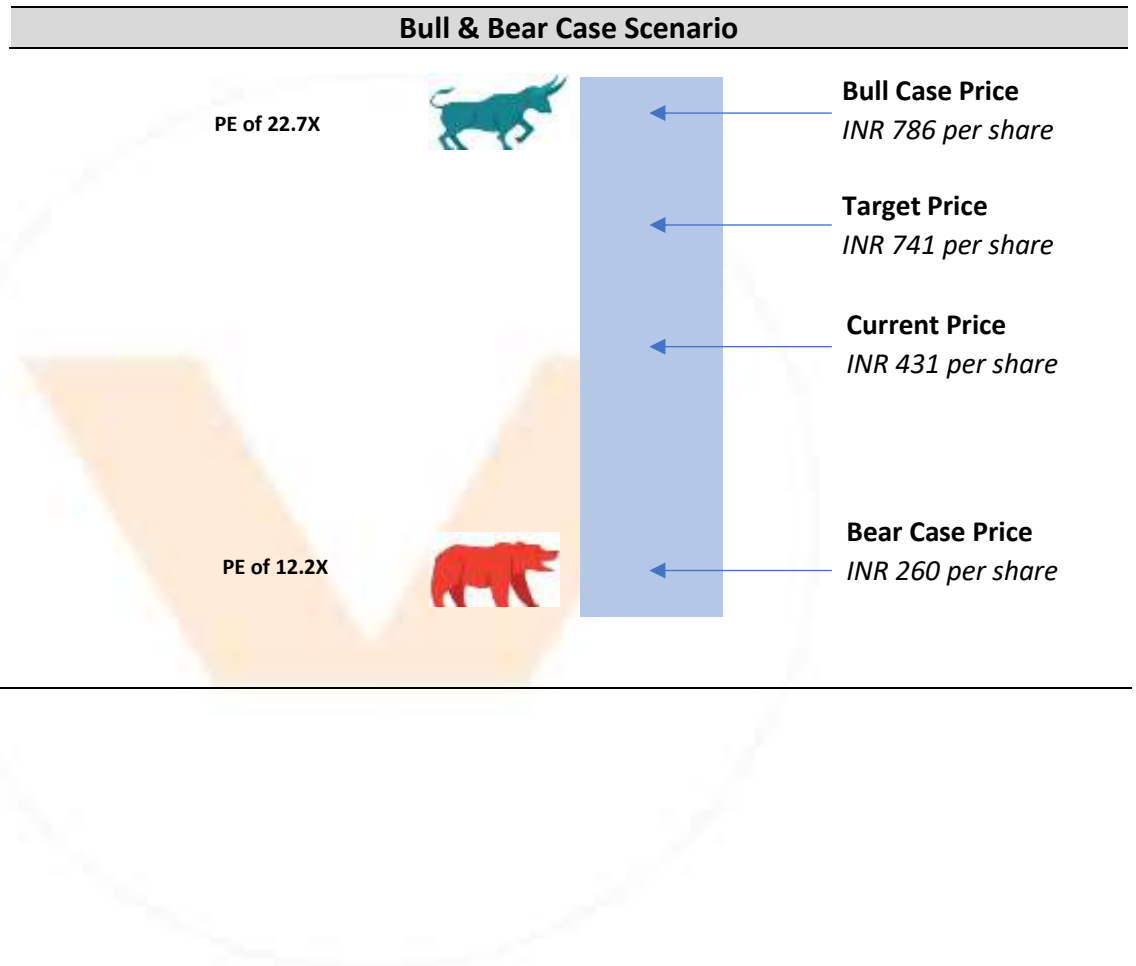


Source: Ventura Research

## Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario based on FY24 P/E ratios

- **Bull Case:** We have assumed a 20% CAGR in revenue with margins rising to 18%. Assigning a P/E of 22.7X in FY24 will result in a Bull Case price target of INR 786.3 per share (upside of 82.4% from CMP)
- **Bear Case:** We have assumed a 12% CAGR in revenue and margins falling to 12%. Assigning a P/E of 12.2X in FY24 will result in a Bear Case price target of INR 260 per share (downside of 39.6% from CMP)



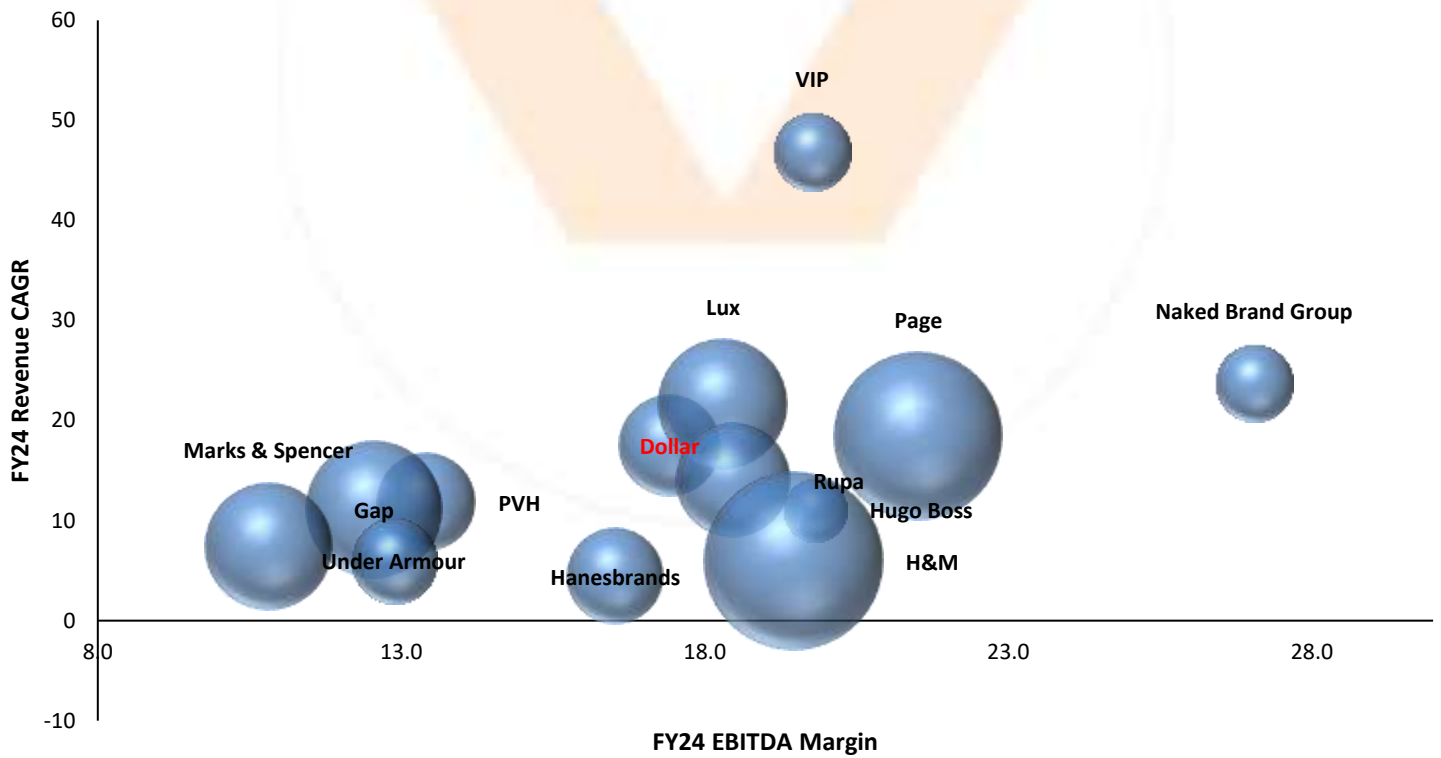
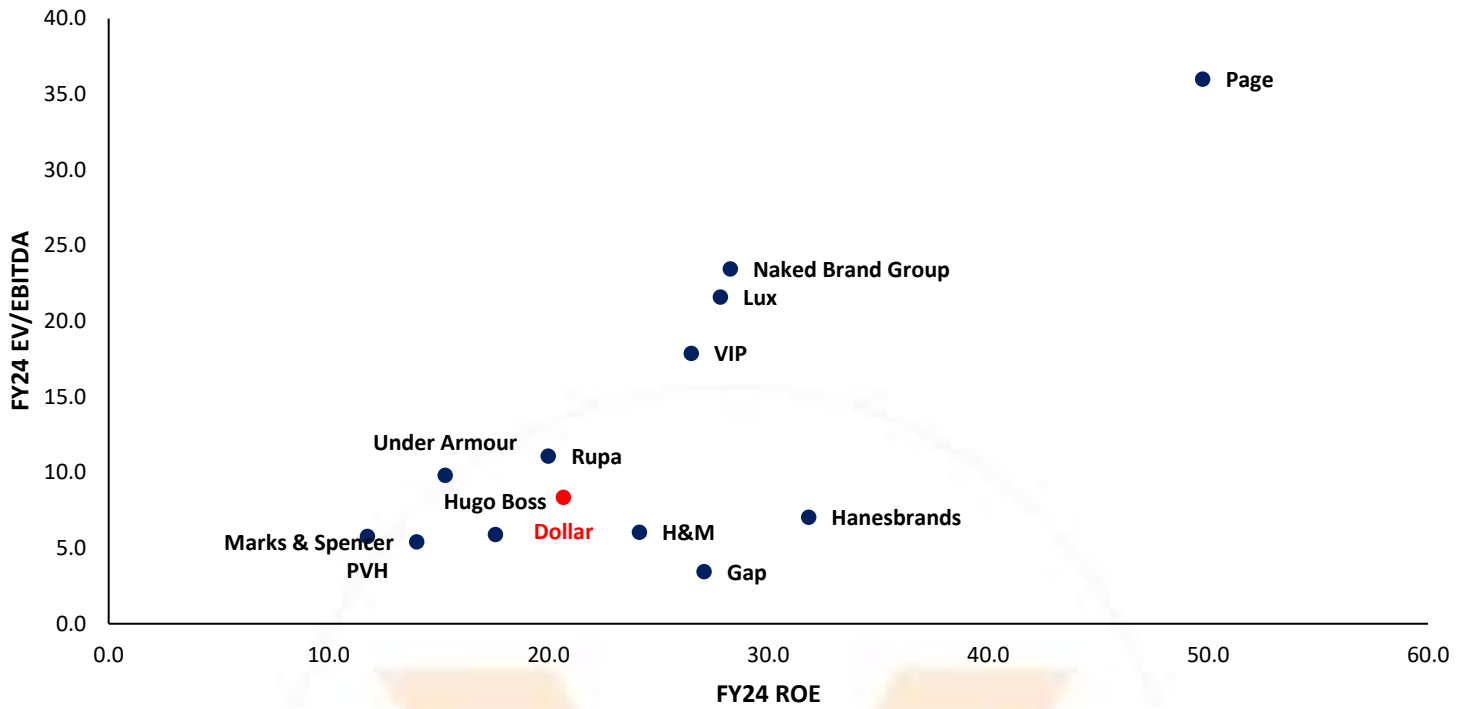
Source: Ventura Research

## Valuation and Comparable Metric of Domestic and Global Innerwear Companies

<i>Figures as mentioned</i>				P/E (X)				EV/EBITDA (X)				P/BV (X)				RoE (%)				RoC (%)				Sales				EBITDA Margin (%)				Net Margin (%)					
Company Name	Mkt Cap	Price	PEG 2021-24	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024		
<b>Domestic Peers (Fig in INR Cr)</b>																																					
Dollar	2,445	431.1	0.4	28.7	20.3	17.3	12.9	18.5	13.4	11.3	8.4	4.6	3.8	3.2	2.7	15.9	18.8	18.7	20.7	14.0	16.7	17.0	20.3	1,037	1,228	1,441	1,694	13.3	15.5	15.8	17.4	8.2	9.8	9.8	11.2		
Lux	12,013	3,995	2.0	51.1	38.3	32.8	32.4	36.0	26.3	22.6	21.6	11.9	10.7	9.0	9.0	23.4	27.8	27.5	27.8	31.5	33.6	32.5	32.1	1,690	2,277	2,629	3,039	19.5	19.8	20.0	18.3	13.9	13.8	14.0	12.2		
Rupa	3,915	492	1.2	15.4	20.5	17.5	15.5	15.4	14.2	12.3	11.1	5.4	4.5	3.9	3.1	24.0	22.2	22.1	20.0	23.6	21.8	21.3	19.8	1,313	1,520	1,738	1,946	19.6	18.3	18.6	18.5	13.4	12.6	12.9	13.0		
Page	36,873	33,058	2.0	108.3	78.8	65.2	53.0	69.4	53.8	41.3	36.0	41.7	35.9	30.2	26.4	38.5	45.5	46.3	49.8	60.3	63.5	67.9	76.1	2,833	3,393	4,129	4,701	18.6	20.1	21.4	21.5	12.0	13.8	13.7	14.8		
VIP	7,049	499	-	(72.3)	115.9	40.5	30.8	(108.1)	47.5	22.1	17.9	13.6	12.1	10.1	8.2	(18.9)	10.5	25.0	26.5	(22.4)	14.0	36.1	42.9	619	1,107	1,690	1,961	(10.7)	13.2	18.4	19.8	(15.8)	5.5	10.3	11.7		
<b>Global Peers (Fig in USD mn)</b>																																					
HanesBrands Inc	6,739	19.3	1.1	11.0	10.2	9.4	8.7	9.4	8.5	7.7	7.0	7.1	5.1	3.9	2.8	64.6	49.8	41.3	31.8	23.1	23.9	25.1	20.1	6,805	7,160	7,609	7,748	15.2	15.6	15.7	16.5	9.0	9.2	9.4	10.0		
Naked Brand Group	55,358	426.4	1.2	94.0	56.9	47.6	40.2	45.9	34.4	28.7	23.5	21.7	18.1	14.1	11.4	23.1	31.8	29.7	28.3	37.3	81.7	81.6	81.6	4,402	6,271	7,306	8,343	27.2	25.0	25.5	27.0	13.4	15.5	15.9	16.5		
PVH	7,829	110.2	-	(6.9)	12.9	11.8	10.5	(43.8)	7.3	6.6	5.8	1.7	1.5	1.6	1.2	(24.1)	11.8	13.2	11.8	(12.6)	13.8	16.7	15.8	7,133	9,108	9,549	9,976	(3.7)	13.1	13.0	13.4	(15.9)	6.7	7.0	7.5		
Gap Inc	9,102	24.2	-	(13.7)	10.9	9.5	7.9	21.0	4.6	3.9	3.4	3.5	3.1	2.5	2.1	(25.3)	28.3	26.1	27.1	(10.9)	53.5	52.1	48.7	13,800	17,829	18,255	18,904	5.0	10.6	11.5	12.6	(4.8)	4.7	5.3	6.1		
Marks & Spencer	4,971	2.5	-	(19.2)	12.5	11.0	10.0	12.9	5.9	5.3	5.4	1.6	1.5	1.5	1.4	(8.2)	12.1	13.3	14.0	(0.5)	10.0	11.9	11.5	11,991	14,184	14,504	14,844	6.3	10.8	10.9	10.8	(2.2)	2.8	3.1	3.3		
Under Armour	9,332	21.4	1.1	36.0	30.7	23.7	21.5	17.1	13.9	11.1	9.8	5.2	4.5	3.9	3.3	14.5	14.6	16.4	15.3	27.7	34.9	41.6	37.6	5,519	5,826	6,167	6,578	9.4	10.7	12.2	12.9	4.7	5.2	6.4	6.6		
Hugo Boss	4,101	58.3	0.1	3.5	2.3	2.0	2.0	8.1	6.0	5.5	5.9	3.9	3.4	3.0	2.4	10.3	15.5	17.0	17.6	13.1	19.7	22.6	18.9	3,027	3,409	3,717	4,147	18.6	21.7	21.4	19.8	3.5	5.5	6.3	7.2		
H&M	33,647	20.3	0.8	28.5	19.0	16.8	16.7	7.8	6.6	6.1	6.1	4.8	4.4	4.1	3.8	17.6	24.7	26.2	24.1	21.4	33.4	36.7	35.1	23,565	25,964	26,875	27,981	18.5	19.2	20.0	19.5	5.0	6.9	7.5	7.2		

Source: Company Reports, Bloomberg & Ventura Research

Dollar at attractive valuations



Source: Ventura Research & Bloomberg

## Financial Analysis and Projections

With greater reach and range in the market through the implementation of Project Lakshya, we expect Dollar's revenue/EBITDA/PAT to grow at a CAGR of 17.8%/28.7%/30.5% to INR 1,694 cr/ INR 295 cr / INR 189 cr respectively over FY21-24E.

- We expect Big Boss (43% of revenue) and Regular (34% of revenue) to grow at 12% CAGR to INR 626 cr and INR 213 cr by FY24 respectively.
- Force Nxt (3% of revenue) and Missy (8% of revenue) are expected to grow at a faster pace of 40% each year to INR 85 cr and INR 213 cr respectively.
- Champion (1% of revenue) is forecasted to grow at 34.3% to INR 13 cr and
- Force Go Wear (2% of revenue) at 40.6% CAGR to INR 58 cr.
- Socks (1% of revenue) is forecasted to grow at 59.1% CAGR to INR 42 cr and
- Thermals (9% of revenue) to have 20.0% CAGR over the same period to INR 161 cr.

Rationalization of costs and commissioning of the integrated warehousing unit in Kolkata is expected to improve EBITDA margin by 410bps to 17.4%. Adoption of the new tax regime is expected to improve net profit margin by 300bps to 11.2%, over the same period.

Subsequently, RoE and RoIC are expected to improve to 20.7% (+480bps) and 20.3% (+630bps), respectively, by FY24. Enhanced visibility of profitability and cash generation should enable Dollar to maintain dividend payouts at +16% which is in line with historical trends.

### Financial Summary

Fig in INR Cr (unless specified)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
<b>Revenue</b>	925.6	1,028.8	967.1	1,037.0	1,227.7	1,440.9	1,693.7	1,994.7	2,343.6	2,759.3	3,238.6	3,765.3	4,342.3	4,985.0
<i>YoY Growth (%)</i>	-	11.2	-6.0	7.2	18.4	17.4	17.5	17.8	17.5	17.7	17.4	16.3	15.3	14.8
Raw Material Cost	405.9	433.5	448.5	445.3	509.5	598.0	685.9	807.8	949.2	1,117.5	1,311.6	1,524.9	1,758.6	2,018.9
Employee Cost	26.4	30.3	42.1	44.6	49.1	54.0	60.5	67.8	75.9	85.0	95.2	106.6	119.4	133.8
Other Expenses	368.8	428.6	370.9	408.7	478.8	561.9	652.1	768.0	902.3	1,062.3	1,246.9	1,449.6	1,671.8	1,919.2
<b>EBITDA</b>	124.4	136.4	105.7	138.4	190.3	227.0	295.2	351.1	416.3	494.4	584.9	684.1	792.5	913.1
<i>YoY Growth (%)</i>	-	14.5	-12.9	14.1	356.5	390.6	471.2	100.6	997.2	128.6	128.6	122.3	117.7	112.7
<i>Margin (%)</i>	13.4	13.3	10.9	13.3	15.5	15.8	17.4	17.6	17.8	17.9	18.1	18.2	18.2	18.3
<b>Net Profit</b>	63.6	73.6	57.3	85.3	120.2	141.5	189.5	232.3	275.8	327.8	386.6	449.0	515.6	581.5
<i>YoY Growth (%)</i>	-	15.7	-22.1	48.8	40.8	17.7	33.9	22.6	18.7	18.9	17.9	16.2	14.8	12.8
<i>Margin (%)</i>	6.9	7.2	5.9	8.2	9.8	9.8	11.2	11.6	11.8	11.9	11.9	11.9	11.9	11.7
<b>Shareholder's Fund</b>	352.4	415.7	460.8	536.8	637.7	756.5	915.7	1,110.8	1,342.4	1,617.7	1,942.4	2,319.6	2,752.8	3,241.2
<i>Return on Equity (%)</i>	18.1	17.7	12.4	15.9	18.8	18.7	20.7	20.9	20.5	20.3	19.9	19.4	18.7	17.9
<b>Capital Employed</b>	536.5	639.0	670.8	660.8	759.7	888.2	1,042.1	1,200.8	1,412.4	1,677.7	1,992.4	2,359.6	2,772.8	3,251.2
<i>Return on Capital Employed (%)</i>	14.0	13.3	10.2	13.8	16.6	16.7	18.7	19.3	19.4	19.3	19.0	18.5	17.9	17.1
<b>Invested Capital</b>	516.9	617.5	664.6	653.5	752.0	873.3	961.4	1,103.0	1,269.9	1,470.7	1,698.8	1,932.7	2,188.8	2,483.7
<i>Return on Invested Capital</i>	14.5	13.8	10.3	14.0	16.7	17.0	20.3	21.1	21.6	22.0	22.3	22.6	22.7	22.4
Cash Flow from Operations	-31.1	0.8	52.9	132.4	93.8	94.8	137.8	137.0	166.9	197.7	240.2	304.0	370.4	451.0
Cash Flow from Investing	-10.8	-15.8	-25.1	-21.9	-65.0	-67.0	-32.0	-39.0	-53.0	-65.0	-80.0	-85.0	-110.0	-162.0
Cash Flow from Financing	51.2	16.4	-42.6	-109.4	-28.5	-20.5	-40.0	-81.9	-69.2	-69.1	-76.6	-85.7	-107.4	-105.4
<b>Net Cash Flow</b>	9.4	1.4	-14.8	1.1	0.3	7.3	65.8	16.1	44.7	63.6	83.6	133.3	153.0	183.6
NOPLAT	74.6	83.3	66.0	89.5	124.0	146.1	193.2	230.3	272.0	321.6	376.9	435.2	494.8	553.3
<b>Free Cash Flow</b>	-27.1	-1.2	36.0	100.1	29.4	29.9	118.4	111.6	136.3	163.0	206.5	279.8	345.8	407.3

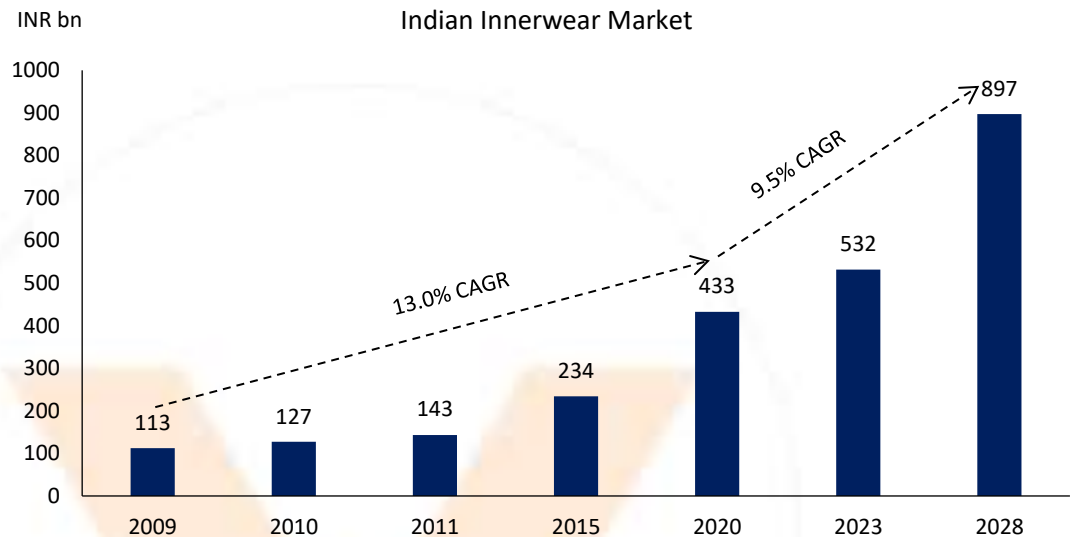
Source: Company Reports & Ventura Research



## Key Growth Drivers

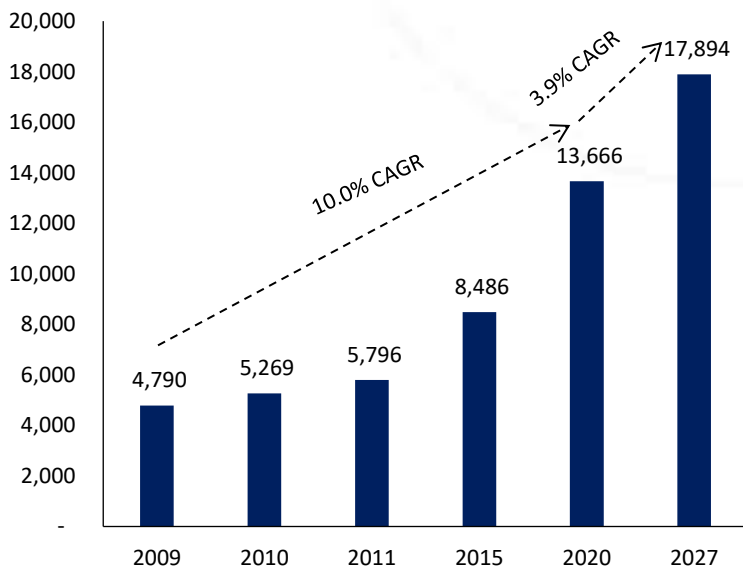
### Industry expected to follow high growth trajectory –

The Indian innerwear segment has been the fastest growing segment in the apparel sector with consumer behavior moving from need based to aspirational buying. This is seen with the increased demand for premium and super premium categories. The industry grew at 13% CAGR over 2009-2020 to reach INR 433 bn and is expected to reach INR 897 bn by 2028

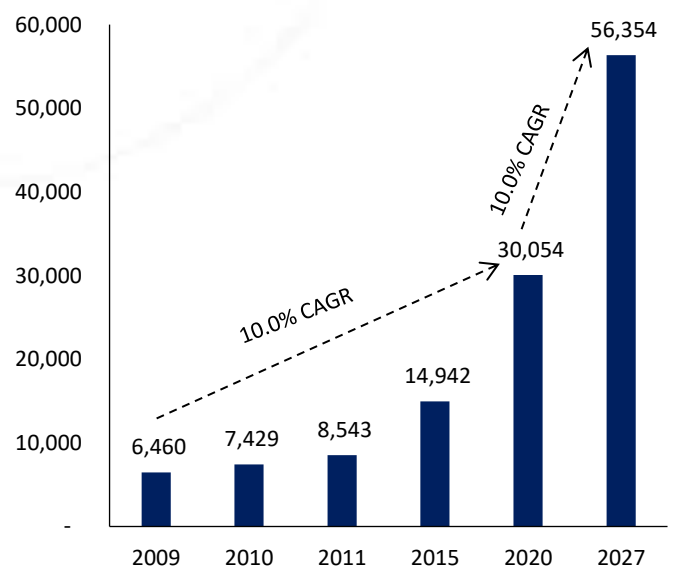


The women segment of the market has historically outpaced the men's segment and accordingly we expect a continuation of this trend. The Men's Innerwear Market in India is set to grow at a CAGR of 3.9% over 2020-2027 to a value of INR 17894 crores. The Women's innerwear segment is expected to grow at 9.4% over the same period.

### Mens' Innerwear Market



### Womens' Innerwear Market



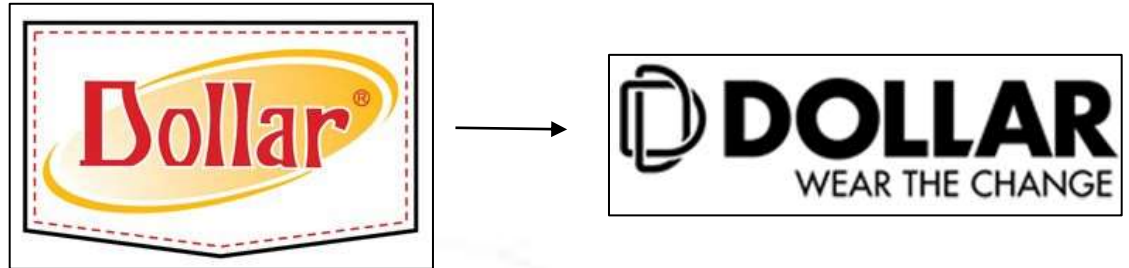
**Peer Analysis of End User Segment for Innerwear**

	Dollar	Page	Lux	Rupa & Co	VIP Clothing
<b>All Users</b>					
<b>Super Premium</b>		Jockey		FCUK	
<b>Premium</b>	Force Go Wear, Ultra	Jockey, Speedo		Fruit of the Loom	
<b>Mid Premium</b>			Cozi, Inferno	Torrigo, Bumchums, Footline, Thermocot	
<b>Economy</b>			Cott's Wool	Jon	
<b>Men</b>					
<b>Super Premium</b>		Jockey		FCUK	
<b>Premium</b>	Force Go Wear, Force Nxt, Ultra	Jockey, Speedo	Lux Premium, Onn, One8	Macroman M Series, Fruit of the Loom	Frenchie
<b>Mid Premium</b>	BigBoss		GenX, CoziGlo	Frontline, Euro, Macroman, Torrigo, Bumchums, Footline, Thermocot	VIP
<b>Economy</b>	Lehar		Venus	Jon	Leader
<b>Women</b>					
<b>Super Premium</b>		Jockey		FCUK	
<b>Premium</b>	Force Go Wear, Ultra, Missy	Jockey, Speedo		Macrowoman W Series, Fruit of the Loom	
<b>Mid Premium</b>			Lyra, Touch	Softline, Femmora	
<b>Economy</b>	Lehar			Jon	
<b>Kids</b>					
<b>Super Premium</b>		Jockey		FCUK	
<b>Premium</b>	Force Go Wear, Ultra	Jockey, Speedo		Fruit of the Loom	
<b>Mid Premium</b>	BigBoss, Champion			Torrigo, Bumchums, Footline, Thermocot	
<b>Economy</b>	Leader			Jon	

Source: Ventura Research

### Revamp of brand identity with new logo

In 2020, Dollar redesigned their logo to highlight the mnemonic “D” for Dollar, Dynamism and Determinations with a fresh vision to ‘Wear the Change’. This was their way of creating a more youth friendly image along with improved brand architecture.



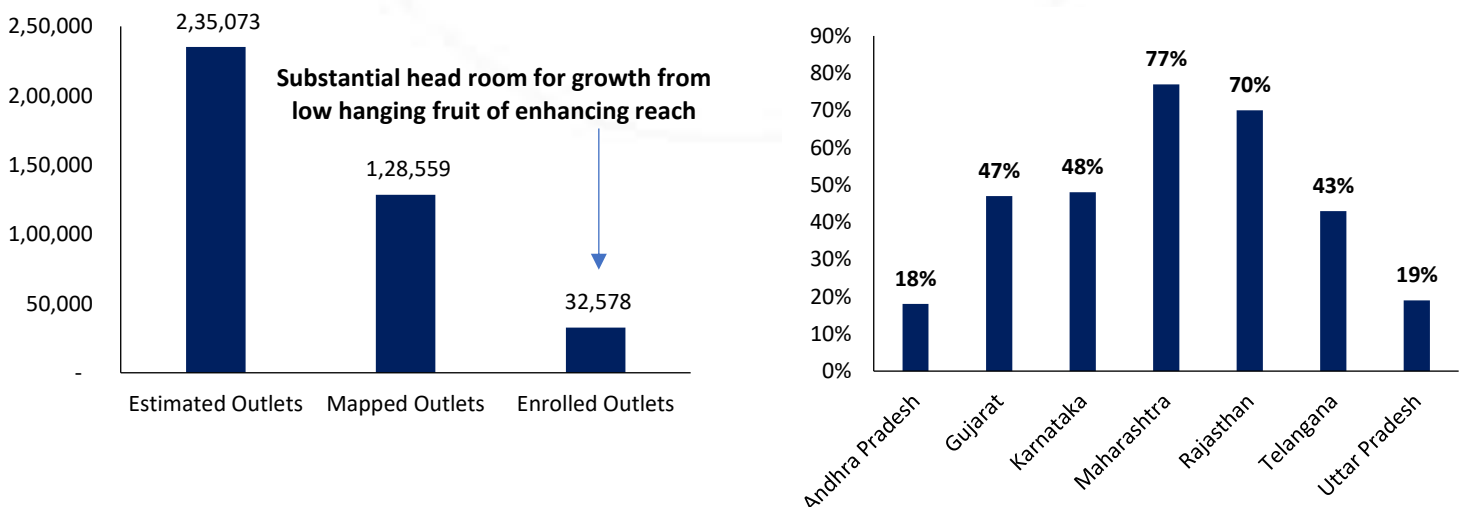
### Constructing an integrated warehousing unit

The company currently has 4-5 individual units in Kolkata which they are planning to integrate into a single unit in the next 2 years at a cost of INR 60 cr. This is expected to improve supply chain efficiencies and will result in an increase in EBITDA margins by ~ 1.5% thereon.

### Implementation of ‘Project Lakshya’

This is a project to increase the reach and range of Dollar Industries in the market. The company is replacing the push model by the auto replenishment model which will over time increase the return on investment for the distributors which in turn will reduce the company’s receivable days. The Working Capital Cycle is expected to come down by 22 days to 163 days in FY24. This project is expected to be completed by FY24.

**Project Lakshya - Coverage % (Mapped vs Estimated)**



### Investment in Digitization –

Dollar has continued to invest in digitalization to ensure seamless engagements with all customers and enhanced operational efficiency. Auto replenishment system (ARS) and Distributor management system (DMS) are being implemented for the Lakshya distributors whereas ARS at a supply chain level is still a work in progress. Automated tele-calling solutions, digital communications and online task allocation have also been implemented and are helping enhance productivity, brand recall and operational efficiency.

### Transitioning from a promoter led company to a professional led company –

Dollar recognizes the value of hiring skilled professionals to sustain growth over the long term. While this will no doubt be a gradual shift, the transition is in play since the past 2 years.

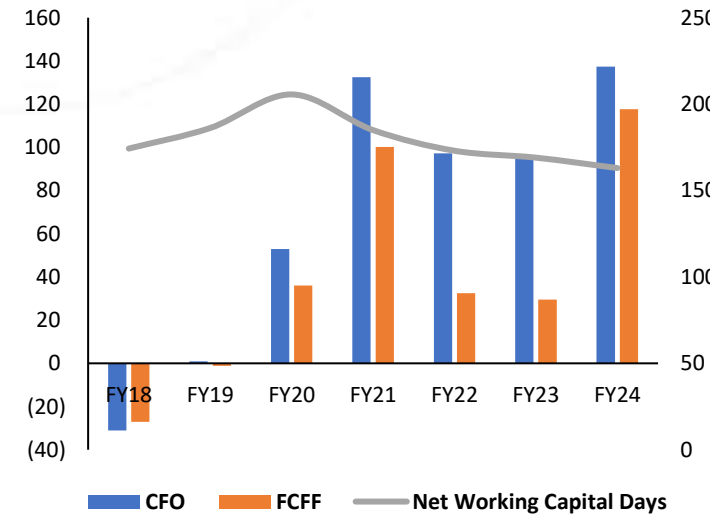
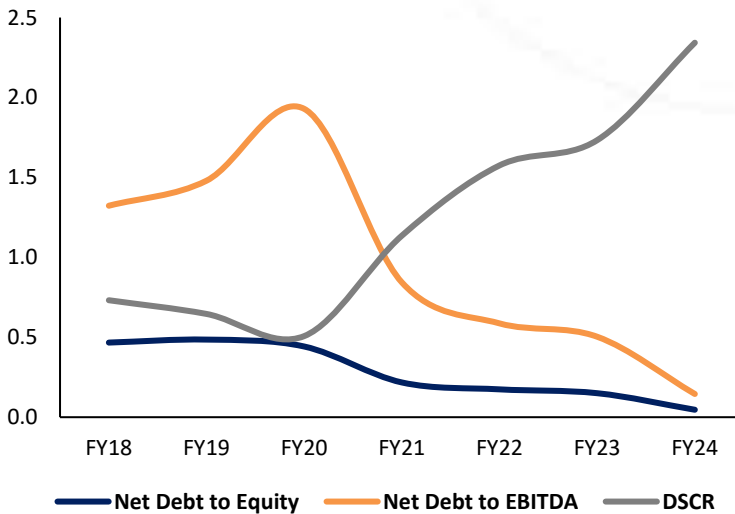
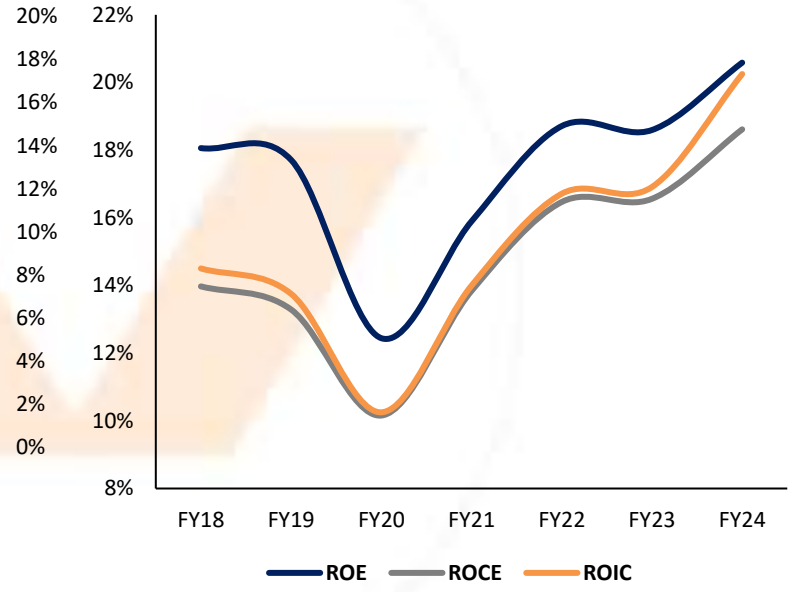
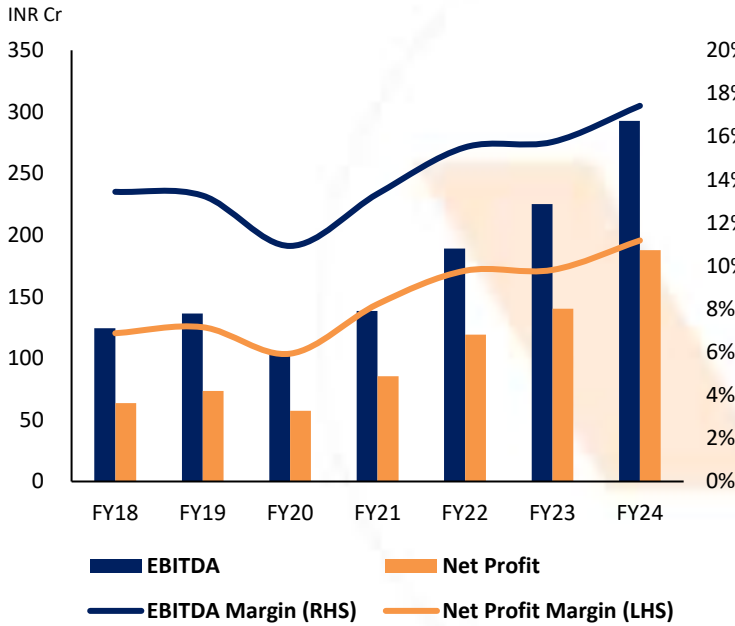
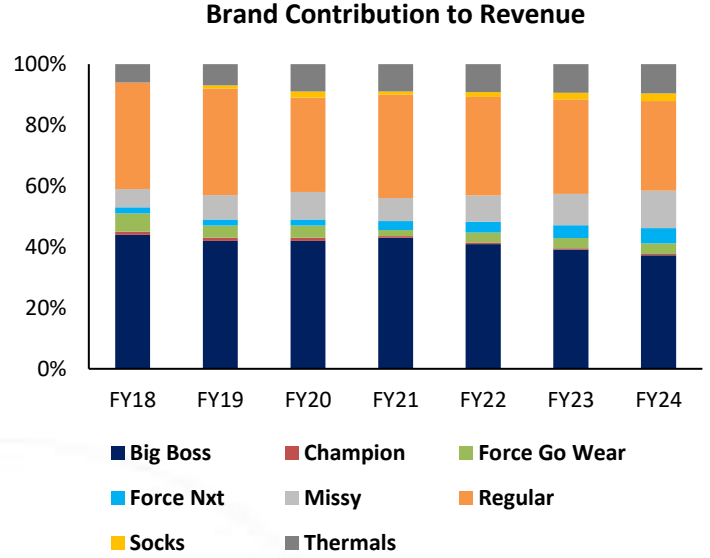
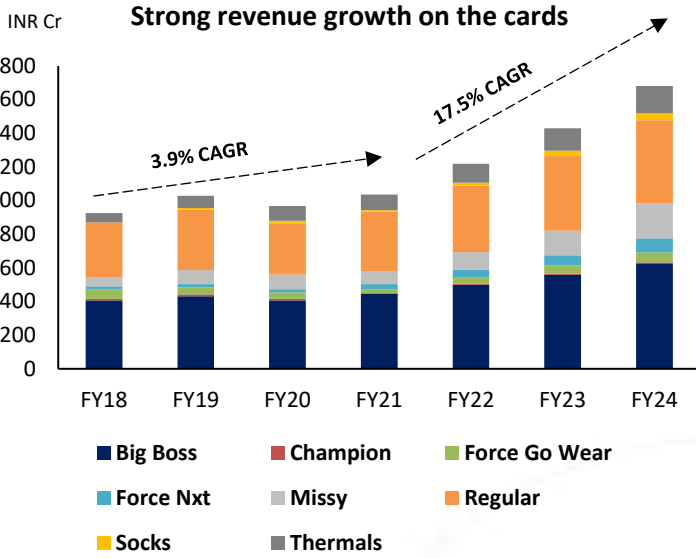
### Strong network of manufacturing facilities and Branches –

The company has 4 manufacturing facilities located in Ludhiana, Delhi, Kolkata and Tirupur with 14 branches across the country. They also have a strong network outside India as shown below for exports which accounted for ~6% of revenue in FY21.



### Doubling Capacity of Spinning unit –

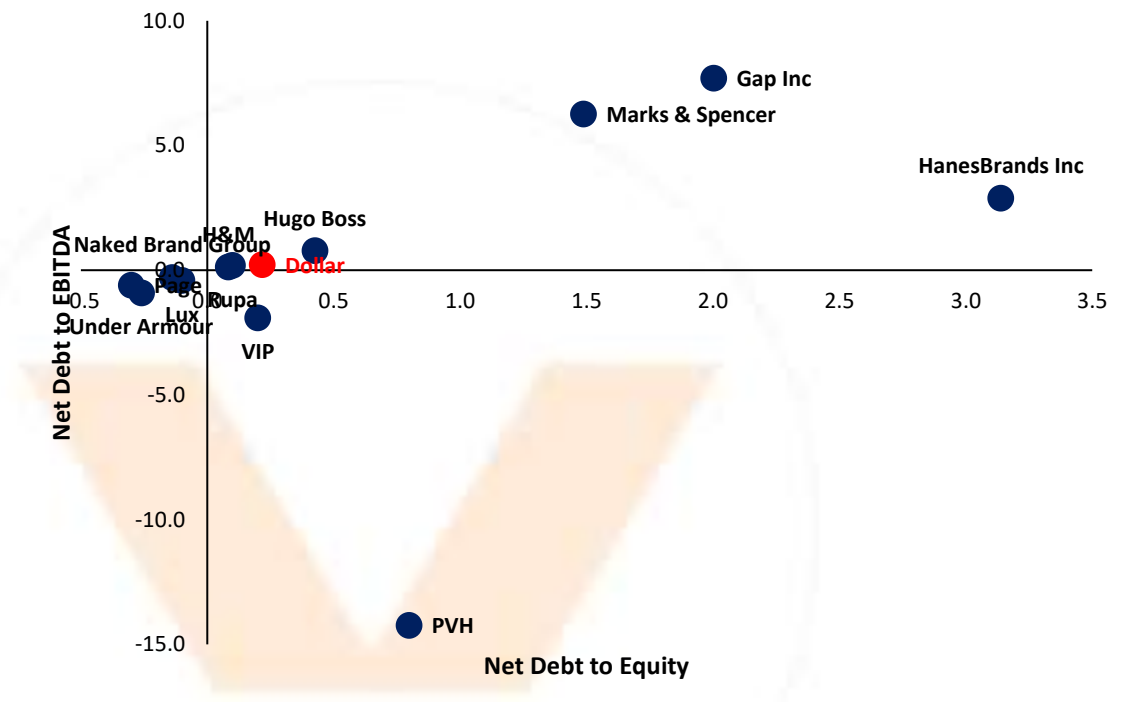
The company produces yarn which is sufficient for 25% of its total needs. The balance 75% is outsourced which may sometimes lead to a delay in procurement. To combat this, they plan to spend INR 60 cr to increase capacity of their spinning unit from 22,000 spindles to 42,000 spindles by FY23. This is going to be done in the same unit hence no cost is going to be incurred for acquiring land. The entire cost would be towards construction of the shed and purchase of machinery.



### Balance sheet strength

Dollar, compared to peers, has very low leverage. The company has negligible long-term debt of ~INR 2 cr and INR 120 cr in short term borrowings. With the implementation of channel financing, the company aims to be debt free by FY24. However, since this is work in progress, we have not modeled the same and it remains an upside risk to our forecast of net debt to equity of 0.05X and net debt to EBITDA of 0.15X by FY24.

#### Healthy balance sheet compared to any other player across the globe



Source: Company Reports & Bloomberg

## Key Management Personnel

Key Persons	Designation	Description
<b>Mr. Vinod Kumar Gupta</b>	Managing Director	30 years of experience in finance, marketing and administration. He did his schooling and college from St. Xavier's, Kolkata and is a Chartered Accountant and Company Secretary by education.
<b>Mr. Binay Kumar Gupta</b>	Executive - Managing Director - Promoter	Over 30 years of experience in hosiery. He has played a pivotal role behind the state-of-the-art technology manufacturing unit in Tirupur, Tamil Nadu and has been instrumental in implementing India's first Integrated Unit from Fibre to Fashion for the company.
<b>Mr. Krishnan Kumar Gupta</b>	Executive - Whole Time Director - Promoter	He has successfully established and expanded horizons for various products at Dollar. He also looks after advertising and brand promotion alongside creative development which is crucial in formatting a company's brand image.
<b>Mr. Bajrang Kumar Gupta</b>	Executive - Whole Time Director - Promoter	Associated with the company for over 20 years. Known for his technical skills and exemplary acumen in exports, he has been contributing to the sphere of logistics, cost cutting measures and administration. He is also known for his vast knowledge of the foreign market.
<b>Mr. Ajay Kumar Patodia</b>	Chief Financial Officer	20 years of experience in corporate financing, accounting, investor relations, financial planning, Taxation and risk management. Prior to this, he was the CFO of Lux industries Ltd for 18 years
<b>Mr. Gopalakrishnan Sarankapani</b>	Administrative Whole Time Director	He is a Science Graduate and having vast experience in the field of marketing and administration. Presently, he looks after overall administration of all the establishment of the company.
<b>Mr. Gaurav Gupta</b>	Vice President	Has 6 years of experience and a PGDM - Marketing from NMIMS Bangalore in 2014. Currently, he heads the premium range of products at Dollar Industries Limited – Force NXT
<b>Ms. Vedika Gupta</b>	Vice President - Marketing	MBA from IBS Hyderabad, joined the company in 2018. currently heads the marketing division for Dollar Industries Limited.
<b>Mr. Ayush Gupta</b>	Vice President	Graduate in B-Com and specialization in Global Family Business from S.P. Jain, Mumbai in 2016. Joined the family business in 2013 and is currently heading the sales and production team for Eastern India.
<b>Ms Pallavi Gupta</b>	Vice President - HR	BBA from Christ University with specialization in HR in 2016, she joined the family business focusing on the HR department. Also done a masters in Global Family Managed Business and now also looks after the production and sales of the company's womenswear brand, MISSY.
<b>Mrs. Swati Gupta</b>	Vice President - Institutional Sales	BBA - Finance from J.D. Birla Kolkata, joined the family business in 2018 and heads the institutional sales division

Source: Company reports

## Business Quality Score

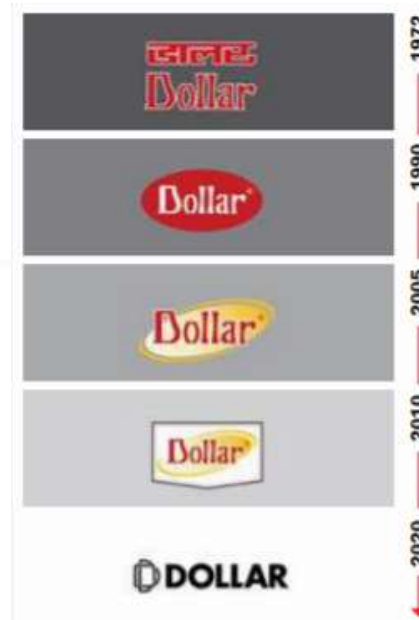
Key Criteria	Score	Risk	Comments
<b>Management &amp; Leadership</b>			
Management Quality	8	Low	The management is of high quality, it has been able to deliver on guided lines; investor-friendly with timely updates on developments
Promoters Holding Pledge	10	Low	The promoter holding is 72.9% and there is no promoter pledging as of 30th Jun 2021.
Board of Directors Profile	7	Low	The average experience of directors is >20 years with significant experience in Finance, Strategic Planning, Global Business and Procurement, Sales & Marketing.
<b>Industry Consideration</b>			
Industry Growth	7	Low	Seven national textile parks have been announced in the budget which will make India a competitive manufacturing and exporting hub
Regulatory Environment or Risk	8	Low	Textiles is one of the largest manufacturing industries and contributes significantly to the GDP. We do not foresee any radical regulatory shifts that could impair growth
Entry Barriers / Competition	5	Medium	Increasing competition from apparel hubs like Vietnam and Bangladesh. However, difficult for new domestic players to penetrate the already concentrated market
<b>Business Prospects</b>			
New Business / Client Potential	8	Low	Implementation of Project Lakshya to increase reach and range into the market
Business Diversification	6	Low	The board members have over 3 decades of expertise in hosiery and do not plan on foraying into different product categories outside their area of expertise
Margin Expansion Potential	10	Low	Commencement of integrated unit in Kolkata will lead to margin expansion
Earnings Growth	10	Low	With volume growth and margin expansion in place, we are expecting strong earnings growth in the coming years
Market Share Potential	8	Low	Dollar has about 15% market share in India and with Project Lakshya, it could significantly expand its business opportunities and gain market share
<b>Valuation and Risk</b>			
Balance Sheet Strength	9	Low	With increase in FCF on account of better margins and strong volume growth, the management is aiming to become debt free by FY25
Debt Profile	9	Low	We expect the company to consistently reduce debt and if they manage to shift to channel financing, they will become debt free by FY25
FCF Generation	10	Low	With all the key drivers in place, we are expecting positive FCF generation.
Dividend Policy	10	Low	Company has consistently paid dividends above 13% since NSE listing and we expect it to continue doing so
<b>Total Score</b>	<b>125</b>	<b>Low</b>	<b>The overall risk profile of the company is good and we consider it as a LOW risk company for investments</b>
<b>Ventura Score</b>	<b>83</b>		

Source: Company Reports & Ventura Research, Total score  $\geq 75$  = low risk;  $50 \leq$  Total score  $< 75$  = medium risk; Total score  $\leq 50$  = high risk

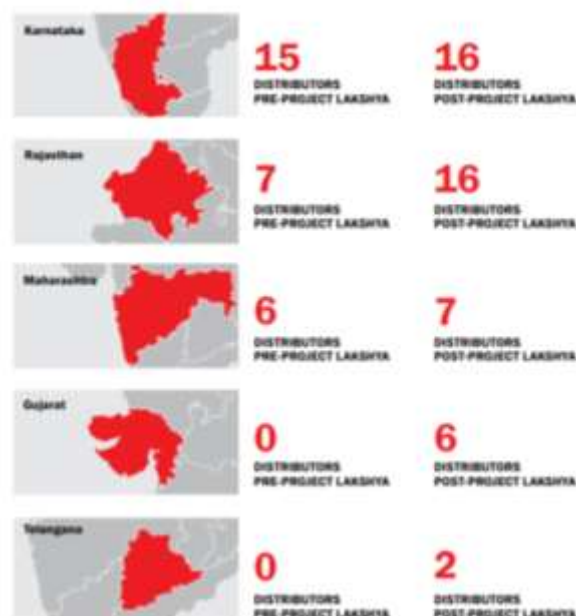


## Annual Report Takeaways

Dollar Industries overhauled their brand architecture. In FY21 they changed their logo and decided to prefix every existing product brand of the company with the word 'Dollar'.



To enhance efficiency, they have revamped their distribution network through the implementation of Project 'Lakshya'. Instead of routing all products through distributors before delivering to the retail outlets, the company is now focusing on bridging this gap and marketing products directly to the retailers thereby replacing the traditional push model with the pull model. This will strengthen capital efficiency at the retail level because the retailers will now have the flexibility to buy products on a per-piece basis. This has resulted in increased stock at the retail level and enabled Dollar to widen and deepen their footprint.



The company plans on launching EBO's and foraying into the brassiere segment. They are also in the process of finishing the construction of an integrated warehouse in West Bengal which will improve inventory management. The revamped brand architecture has helped gain significant traction providing them the impetus to widen their distribution network.

They have continued to invest in digitization to ensure seamless engagements with all customers and enhanced operational efficiency. Their digital interventions include Automated Tele-calling, Auto Replenishment System, Distribution Management System, Digital Communication and Online Task Allocation.

Keeping in mind the significant advantages of utilizing solar power, Dollar has embarked on increasing the capacity of their solar plant from 4MW to 5MW. This is expected to be completed by FY22.

**Details on Board of Director and KMPs**

Board of Directors & KMP	FY17	FY18	FY19	FY20	FY21
Vinod Kumar Gupta	MD				
Binay Kumar Gupta	MD				
Din Dayal Gupta	Chairman				
Krishan Kumar Gupta	WTD				
Bajrang Kumar Gupta	WTD				
Gopalakrishnan Sarankapani	WTD				
Sanjay Jhunhunwalla		NED			
Pawan Kumar Agarwal	ID				
Ashok Kumar Goel	ID				
Vinay Kumar Agarwal	ID				
Rakesh Gopikishan Biyani		ID			
Binay Kumar Agarwal	ID				
Sunil Mitra		ID			
Rajesh Kumar Bubna	ID				
Divyaa Newatia		ID			
Deepshikha Rakesh Agarwal	ID				
Anil Kumar Saboo			ID		
Srikumar Bandyopadhyay			ID		
Shahi Agarwal	GM		SVP		
Ankit Gupta	VP			CFO	

MD - Managing Director

NED - Non Executive Director

VP - Vice President

WTD - Whole Time Director

ID - Independent Director

CFO - Chief Financial Officer

SVP - Senior Vice President

GM - General Manager

Company Reports & Ventura Research

## Pay Grades

Remuneration growth of the Managing Directors is in line with the financial performance of the company however remuneration growth of the CFO has significantly outpaced the median remuneration growth of the company in the past 5 years. Further, it has also outpaced the CAGR growth in revenue, EBITDA and net profit over the same period. Ideally it should be in-line with the financial performance of the company.

Over FY17-21, CFO's remuneration grew at 38.3% CAGR and over the same period revenue/EBITDA/net profit grew at a CAGR of 3.7%/10.6%/18.4%.

Remuneration in the last 5 years						
Parameter (Fig in INR Lakhs)	FY17	FY18	FY19	FY20	FY21	CAGR%
Managing Directors	138	164	215	225	215	11.7
<i>Share in Total Employee Cost (%)</i>	6.4	6.2	7.1	5.3	4.8	
Chief Financial Officer	6	21	20	22	23	38.3
<i>Share in Total Employee Cost (%)</i>	0.3	0.8	0.7	0.5	0.5	
SVP/Business Head	10	21	24	24	23	22.1
<i>Share in Total Employee Cost (%)</i>	0.5	0.8	0.8	0.6	0.5	
Manager/VP	49	55	60	59	69	9.0
<i>Share in Total Employee Cost (%)</i>	2.3	2.1	2.0	1.4	1.5	
Median remuneration of employees	1.4	1.3	1.3	1.8	2.0	8.9
Employee Cost	2,148	2,642	3,025	4,207	4,463	20.1
<i>Employee Cost as a % of Revenue</i>	2.4	2.9	2.9	4.4	4.3	

Source: Company Reports & Ventura Research

## Auditor qualifications & significant notes to accounts

Singhi & Co is the auditor and there were no qualifications/emphasis of matters highlighted by them in FY21 Annual Report.

## Contingent Liabilities

Contingent liabilities are mostly on account of direct taxation

Contingent liabilities are very low				
Parameters (Fig in INR lakhs)	FY18	FY19	FY20	FY21
Bank Guarantee	6.67	6.67	5.0	5.0
Excise Duty	3.06	3.06	3.06	3.06
Income Tax	111.6	111.6	111.6	111.6
<i>Transactions as a % of Revenue</i>	0.1	0.1	0.1	0.1
<i>Transactions as a % of Net Worth</i>	0.3	0.3	0.3	0.2

Source: Company Reports & Ventura Research

## Major Related Party Transactions with promoters, KMPs and promoter owned entities

Related party transactions are very low as a % of revenue or total assets. There were no other major related party transactions except those carried out with JV in normal business parlance.

Related Party Transactions are relatively low				
Parameters (Fig in INR Lakhs)	FY18	FY19	FY20	FY21
Income	636	64	176	308
<i>Income as a % of Revenue</i>	<i>0.7</i>	<i>0.1</i>	<i>0.2</i>	<i>0.3</i>
Expenditure	3614	3193	3903	5117
<i>Expenditure as a % of Revenue</i>	<i>3.9</i>	<i>3.1</i>	<i>4.0</i>	<i>4.9</i>
Others				
Dividend Paid	297	517	579	696
Leasehold Rights	-	-	-	55
Site Formation Expenses	-	-	-	409
Prferential Issue of Shares	10750	-	-	-
Advances Given	11	-	-	-
Loan Taken	11710	1654	1025	2000
Repayment of Loan	13047	5378	1033	2260
<i>Others as a % of Total Assets</i>	<i>0.5</i>	<i>0.1</i>	<i>0.0</i>	<i>0.1</i>

Source: Company Reports and Ventura Research

## Key Concall Takeaways – Abridged Summary

Q2FY21 – Dollar in Q1 had launched the anti viral range of products which during Q2 was well accepted. The newly introduced athliesure range grew to 11% of the product category mix. The company had already invested in windmill energy but in continuation of the effort to get greener and cleaner power, the company also commissioned a 4MW solar plant in Tamil Nadu with a capacity to generate 75 lakh power unit annually. The total investment in this solar plant was approximately INR 18 cr and was funded through internal accruals.

Q3FY21 – In spite of increase in cotton prices, the company had been able to maintain profitability margins by increasing the prices of the finished products. The JV company was working on launching e-commerce, B2B, and channel expansion. The revenue for the JV stood at INR 4.63 cr as compared to INR 4.15 cr in Q3FY20. The loss from it was INR 1.23 cr with Dollar’s share in the loss being INR 61 lakhs.

Q4FY21 - Dollar experienced degrowth in certain categories like socks and leggings where demand was muted due to the pandemic situation. The company spent INR 79 cr for advertising in FY21 out of which INR 50 cr was spent towards branding and overhauling its brand architecture. From this, INR 19 cr was spent in the quarter in the form of dealer boards and in shop branding. The JV company is working on expanding the distribution network pan India. In the entire year FY21, revenue of the JV company stood at INR 17 cr, a growth of 5%. The loss from it stood at INR 3.8 cr as compared to INR 4.5 cr in FY20 with Dollar’s share of loss being INR 2 cr in FY21

Q1FY22 - The company announced a capex of INR 90 cr in Q1FY22 to be invested for expansion of the spinning division, socks manufacturing unit and increasing production capacity at Kolkata and Tirupur. The company is also in the process of setting up a fully autommated, digitized integrated plant of 3.2 lakh sqft in West Bengal. Sales through e-commerce grew 98% YoY in Q1FY22. The JV with Pepe Jeans, reported revenue of INR 1.29 cr in Q1FY22 as compared to INR 1.39 cr in Q1FY21. The loss from the JV stood at INR 1.14 cr with Dollar’s share of loss being INR 57 lakhs as compared to INR 25 lakhs in Q1FY21.

**Quarterly and Annual Performance**

Figures are in INR Cr	FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY21	Q1FY22	FY22E	FY23E	FY24E
Net Sales	1,029	234	243	255	238	967	160	258	312	308	1,037	205	1,228	1,441	1,694
YoY Growth (%)	11.2	0.0	0.0	0.0	0.0	-6.0	-31.5	6.2	22.4	29.7	7.2	27.9	18.4	17.4	17.5
Raw Material Cost	434	96	121	114	118	448	72	101	140	132	445	77	510	598	686
YoY Growth (%)	6.8	0.0	0.0	0.0	0.0	3.4	-24.8	-16.2	22.9	12.0	-0.7	7.2	14.4	17.4	14.7
Employee Cost	30	10	10	10	12	42	8	11	12	14	45	13	49	54	61
YoY Growth (%)	14.5	0.0	0.0	0.0	0.0	39.1	-16.7	35.8	10.2	14.3	6.1	59.9	10.0	10.0	12.0
Other Expenses	429	101	89	97	87	371	51	111	117	132	409	79	479	562	652
YoY Growth (%)	16.2	0.0	0.0	0.0	0.0	-13.5	-49.4	24.9	19.9	51.3	10.2	54.7	17.2	17.4	16.0
EBITDA	136	27	23	33	21	106	29	35	43	31	138	35	190	227	295
EBITDA Margin (%)	13.3	11.5	9.6	13.1	8.8	10.9	17.9	13.6	13.8	10.1	13.3	17.3	15.5	15.8	17.4
YoY Growth (%)	9.7	0.0	0.0	0.0	0.0	-22.5	6.3	50.8	29.6	48.3	31.0	23.3	37.5	19.3	30.1
Depreciation	11	3	4	4	4	14	3	3	4	5	15	4	22	29	34
EBIT	125	24	20	30	17	91	25	32	39	26	123	32	168	198	261
EBIT Margin (%)	12.2	10.2	8.1	11.7	7.3	9.5	15.8	12.3	12.6	8.5	11.9	15.4	13.7	13.7	15.4
YoY Growth (%)	11.7	0.0	0.0	0.0	0.0	-27.0	6.5	61.4	32.7	51.8	34.4	24.4	36.9	17.6	31.8
Interest	16	4	4	4	4	16	3	2	2	1	9	1	9	10	9
Other Income	2	0	1	1	3	5	0	1	1	2	3	1	4	3	4
Exceptional Income / Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit Before Tax	111	20	16	27	17	80	22	30	38	27	117	31	163	192	256
PBT Margin (%)	10.8	8.5	6.7	10.4	7.1	8.3	13.8	11.6	12.3	8.8	11.3	15.2	13.3	13.3	15.1
YoY Growth (%)	15.9	0.0	0.0	0.0	0.0	-28.1	10.5	82.7	43.8	60.8	47.0	40.8	39.1	17.5	33.4
Tax Rate (%)	32.2	35.4	16.5	26.4	20.9	25.5	25.4	25.3	25.8	25.8	25.6	25.6	25.2	25.2	25.2
Profit After Tax	75	13	14	20	13	59	16	22	28	20	87	23	122	143	191
PAT Margin (%)	7.3	5.5	5.6	7.7	5.6	6.1	10.3	8.7	9.1	6.5	8.4	11.3	9.9	10.0	11.3
YoY Growth (%)	17.5	0.0	0.0	0.0	0.0	-21.0	27.7	63.6	44.9	50.9	46.8	40.4	445.9	405.5	852.8
Minority Int	-1.6	0.1	-0.4	-0.8	-1.1	-2.1	-0.4	-0.6	-0.8	-0.6	-2.0	-0.6	-2.0	-2.0	-2.0
Net Profit	73.6	13.0	13.3	18.8	12.2	57.3	16.1	21.8	27.6	19.5	85.3	22.5	120.2	141.5	189.5
Net Profit Margin	7.2	5.6	5.5	7.4	5.1	5.9	10.1	8.4	8.9	6.3	8.2	11.0	9.8	9.8	11.2
YoY Growth (%)	15.7	0.0	0.0	0.0	0.0	-22.1	23.8	63.5	46.8	60.3	48.8	39.9	40.8	17.7	33.9
Adjusted EPS	13.0	2.3	2.3	3.3	2.1	10.1	2.8	3.8	4.9	3.4	15.0	4.0	21.2	24.9	33.4
Shareholder's Funds	416		431			461		490			537		638	757	916
BV per share	73.3		76.0			81.3		86.4			94.6		112.4	133.4	161.4
Net Debt	202		199			204		121			117		114	117	46
Net Debt to Equity	0.5		0.5			0.4		0.2			0.2		0.2	0.2	0.0
Net Debt to EBITDA	1.5		1.6			1.9		1.0			0.8		0.6	0.5	0.2
Capex	-12.8		-5.8			-22.4		-4.3			-22.7		-60.0	-60.0	-20.0
RoE(%)	17.7		15.8			12.4		14.0			15.9		18.8	18.7	20.7
ROIC	13.8		13.0			10.3		3.9			14.0		16.7	17.0	20.3
P/E	33.2		35.8			42.6		35.5			28.7		20.3	17.3	12.9
P/B	5.9		5.7			5.3		5.0			4.6		3.8	3.2	2.7
EV/EBITDA	19.4		21.8			25.1		21.7			18.5		13.4	11.3	8.4

Source: Company Reports &amp; Ventura Research

## Financial Analysis & Projections

Figures in Rs Cr	FY20	FY21	FY22E	FY23E	FY24E	Figures in Rs Cr	FY20	FY21	FY22E	FY23E	FY24E
<b>Income Statement</b>						<b>Per Share Data &amp; Yields</b>					
Net Revenue	967.1	1,037.0	1,227.7	1,440.9	1,693.7	Adjusted EPS	10.1	15.0	21.2	24.9	33.4
YoY Growth (%)	-6.0	7.2	18.4	17.4	17.5	Adjusted CEPS	12.6	17.8	25.1	30.1	39.5
Raw Material Cost	448.5	445.3	509.5	598.0	685.9	Adjusted BVPS	81.3	94.6	112.4	133.4	161.4
YoY Growth (%)	3.4	-0.7	14.4	17.4	14.7	CFO per share	9.2	23.3	16.5	16.7	24.3
Gross Profit	518.6	591.7	718.2	842.9	1,007.7	CFO Yield	0.4	1.0	0.7	0.7	1.0
YoY Growth (%)	-12.9	14.1	21.4	17.4	19.6	FCF per share	6.8	18.1	5.5	5.6	21.2
Margin (%)	53.6	57.1	58.5	58.5	59.5	FCF Yield	0.3	0.7	0.2	0.2	0.9
Operating Cost	413.0	453.3	527.9	616.0	712.6	<b>Solvency Ratio (X)</b>					
YoY Growth (%)	-10.0	9.8	16.5	16.7	15.7	Total Debt to Equity	0.5	0.2	0.2	0.2	0.1
EBITDA	105.7	138.4	190.3	227.0	295.2	Net Debt to Equity	0.4	0.2	0.2	0.2	0.0
YoY Growth (%)	-22.5	31.0	37.5	19.3	30.1	Net Debt to EBITDA	1.9	0.8	0.6	0.5	0.2
Margin (%)	10.9	13.3	15.5	15.8	17.4	Interest Coverage Ratio	5.6	13.5	19.0	20.6	27.8
Depreciation & Amortization	14.2	15.5	22.0	29.1	34.4	Debt Service Coverage Ratio	0.5	1.1	1.6	1.7	2.4
EBIT	91.5	122.9	168.3	197.9	260.8	<b>Working Capital Ratios</b>					
YoY Growth (%)	-27.0	34.4	36.9	17.6	31.8	Payable Days	45	49	49	49	49
Margin (%)	9.5	11.9	13.7	13.7	15.4	Receivable Days	136	116	112	110	105
Other Income	4.7	3.5	3.7	3.4	4.4	Inventory Days	115	118	110	108	107
Finance Cost	16.4	9.1	8.8	9.6	9.4	Net Working Capital Days	206	185	173	169	163
PBT	79.8	117.3	163.2	191.7	255.8	<b>Return Ratios (%)</b>					
YoY Growth (%)	-28.1	47.0	39.1	17.5	33.4	Return on Equity	12.4	15.9	18.8	18.7	20.7
Margin (%)	8.3	11.3	13.3	13.3	15.1	Return on Capital Employed	10.2	13.8	16.6	16.7	18.7
Tax	20.3	30.0	41.1	48.3	64.4	Return on Invested Capital	10.3	14.0	16.7	17.0	20.3
Tax Rate (%)	25.5	25.6	25.2	25.2	25.2	<b>Valuation (X)</b>					
PAT	59.5	87.3	122.1	143.5	191.4	P/E	42.6	28.7	20.3	17.3	12.9
YoY Growth (%)	-21.0	46.8	39.9	17.5	33.4	P/BV	5.3	4.6	3.8	3.2	2.7
Margin (%)	6.1	8.4	9.9	10.0	11.3	EV/EBITDA	25.1	18.5	13.4	11.3	8.4
Minority Interest	-2.1	-2.0	-2.0	-2.0	-2.0	EV/Sales	2.7	2.5	2.1	1.8	1.5
Net Profit	57.3	85.3	120.2	141.5	189.5	<b>Cash Flow Statement</b>					
YoY Growth (%)	-22.1	48.8	40.8	17.7	33.9	Profit Before Tax	77.7	115.3	163.2	191.7	255.8
Margin (%)	5.9	8.2	9.8	9.8	11.2	Add: Depreciation	14.2	15.5	22.0	29.1	34.4
<b>Balance Sheet</b>						Add: Finance Cost	16.4	9.1	8.8	9.6	9.4
Share Capital	11.3	11.3	11.3	11.3	11.3	Change in other assets & liabilities	-9.9	4.2	-2.5	-2.1	-8.1
Total Reserves	449.5	525.4	626.3	745.2	904.3	Change in working capital	-21.8	17.9	-56.6	-85.2	-89.2
Shareholders' Fund	460.8	536.8	637.7	756.5	915.7	Less: Tax Paid	-24.6	-30.0	-41.1	-48.3	-64.4
Long Term Borrowings	3.3	2.3	2.0	1.7	1.4	<b>Cash Flow from Operations</b>	52.0	131.9	93.8	94.8	137.8
Long Term Lease Liabilities	2.6	2.1	2.0	4.0	6.0	Net Capital Expenditure	-22.4	-22.7	-60.0	-60.0	-20.0
Net Deferred Tax Liabilities	-1.3	-1.1	-1.0	-1.0	-1.0	Change in other investments	-2.7	0.8	-5.0	-7.0	-12.0
Long Term Provisions	4.0	5.2	5.7	6.8	7.9	<b>Cash Flow from Investing</b>	-25.1	-21.9	-65.0	-67.0	-32.0
<b>Total Liabilities</b>	469.4	545.2	646.4	768.0	930.0	Change in Short Term Borrowings	-2.7	-85.4	0.4	10.0	-5.0
Gross Block	118.0	139.5	199.5	259.5	279.5	Proceeds from Long Term Borrowings	0.0	0.4	0.0	0.0	0.0
Less: Accumulated Depreciation	49.1	60.6	77.2	98.8	122.1	Repayment in Long Term Borrowings	-10.7	-1.4	-0.3	-0.3	-0.3
<b>Net Block</b>	68.9	78.8	122.2	160.6	157.4	Change in Lease Liability	-2.5	-4.2	-0.5	2.0	5.0
Capital WIP	14.1	14.7	10.0	5.0	5.0	Proceeds from Issue of Share Capital	0.0	0.0	0.0	0.0	0.0
Right Of Use Assets	5.4	6.4	6.0	5.6	6.5	Dividend Paid	-11.6	-9.6	-19.2	-22.6	-30.3
Intangible Assets	0.0	0.0	0.0	0.0	0.0	Less: Finance Cost	-15.1	-9.1	-8.8	-9.6	-9.4
Investment in JV	5.9	3.9	3.9	3.9	3.9	<b>Cash Flow from Financing</b>	-42.6	-109.4	-28.5	-20.5	-40.0
Other Financial Assets	2.6	2.2	2.6	3.7	4.9	Net Cash Flow	-14.8	1.1	0.3	7.3	65.8
Non Current Tax Assets	4.6	4.6	5.5	6.4	7.5	Opening Balance of Cash	20.7	5.9	7.0	7.3	14.6
Non Current Investments	0.6	0.6	0.7	0.9	1.0	<b>Closing Balance of Cash</b>	5.9	7.0	7.3	14.6	80.4
Long Term Loans & Advances	0.7	0.8	0.9	1.1	1.3						
Other Non Current Assets	0.6	1.5	1.7	2.0	2.4						
Net Current Assets	366.0	431.7	492.7	578.7	740.0						
<b>Total Assets</b>	469.4	545.2	646.4	768.0	930.0						

Source: Company Reports & Ventura Research

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