STEWART & MACKERTICH

LEGACY | TRUST | GROWTH

INITIATING COVERAGE REPORT

18th MAY 2018

DOLLAR INDUSTRIES LIMITED

Dollar Bigboss PREMIUM INNERWEAR

FORCE NXT

Dollar ULTRA THERMALS

CHAMPION KIDS

Dollar Missy CHIC CASUALS

FORCE GO WEAR

Research Analyst
PRATIM ROY
Pratim.roy@smifs.co.in

Contents

Dollar Industries Limited

Sector: Textile

CMP (INR) (As on 17th May, 2018)	393.60
Target Price(INR)	656
Upside(%)	67%
Recommendation	**Strong Buy**

BSE Code	NA
NSE Code	DOLLAR
Reuters Ticker	DOLLau.NS
Bloomberg Ticker	DOLLAR IS

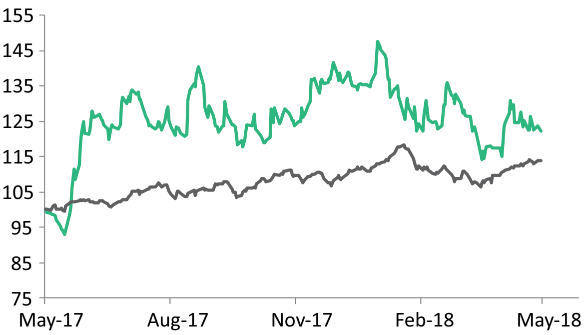
Stock Scan

Market cap (INR Cr.)	2133.31
Outstanding Shares (Cr.)	5.42
Face Value (INR)	2
Dividend Yield(%)	1.08
TTM P/E (x)	35.19
Industry P/E (x)	34.41
Debt/Equity (FY17)	1.20
Beta vs. Sensex	0.1
52 Week High/ Low (INR)	514.75/308
Avg. Daily Volume (NSE)/1yr.	53748

Shareholding Pattern (%)

	Mar-18	Dec-17	Sep-17
Promoters	56.85	56.85	56.85
Institutions	9.98	9.56	9.54
Non-institutions	33.18	33.58	33.61

Stock vs. Nifty (Relative returns)



Source: NSE

DIL: Fastest Growing Lifestyle Innerwear Company

Stewart & Mackertich Research initiates coverage on Dollar Industries Limited (DIL) with a **Strong Buy** rating. DIL Established in 1972 by Dindayal Gupta as a proprietorship, the company was incorporated in 2005 as Bhawani Textiles, and then renamed as Dollar Industries in 2008. It began its journey with its signature brand "Dollar" in men's vests and briefs. Now, it has a wide range of men's, women's and kids' innerwear. It has been given the status of an "export house" by the government of India. From just being a men's innerwear company, it has made a foray into women's innerwear and outerwear, kids' innerwear and other categories such as thermals.

Investment Rationale

Dynamic product portfolio: Dollar captures the whole economic pyramid at a stretch. The major portion of the sales pie is contributed by premium and super-premium segment i.e. 66% while the economy range contributes 34% of the revenue which is

Rationale Cont'd...

Valuation: On the back of favorable policies by the government towards development of businesses in India coupled with aggressive organic and inorganic growth, Dollar Industries is expecting a healthy growth of 15-20% per year for a period of 5 yrs. Aggressive brand building exercises would lead to the Company accruing 15% EBITDA in a period of next 3 years. Internet penetration and urbanization are the key areas which Dollar Industries is targeting in order to carve out a market share in the premium and super-premium segments with the help of e-commerce, modern outlets, and EBO models. The Company is radically trying to change the way it operates by transforming itself to a value-driven, innovation inspired, asset light and brand powered company. We assign a P/E(x) multiple of 36.10 on FY20E EPS, to arrive at a target price of **INR656**.

Exhibit 1: Financial Performance at a glance (Consol.)

Particulars (INR Cr.)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	829.9	905.9	1031.8	1195.3	1406.6
Growth(%)	*13.6%*	*9.2%*	*13.9%*	*15.8%*	*17.7%*
EBITDA	74.9	102.2	135.6	163.6	194.6
EBITDA Margin (%)	9.1%	11.4%	13.3%	13.8%	14.0%
Adjusted PAT	26.4	43.6	67.5	83.1	98.5
Net Profit Margin (%)	3.2%	4.9%	6.6%	7.0%	7.1%
EPS	4.87	8.04	12.46	15.33	18.18
BVPS	26.84	33.38	43.97	57.00	72.44
P / E (x)	-	39.2	35.3	28.7	24.2
P / BV (x)	-	13.2	10.0	7.7	6.1
ROE (%)	19.8%	26.7%	32.2%	30.4%	28.1%
ROCE (%)	20.7%	24.4%	32.1%	29.2%	25.3%
EV / EBITDA (x)	-	17.66	13.32	11.03	9.27

Source: Company Data & SMIFS Research

...Rationale Continued

their bread and butter in terms of revenue; The Company is trying to capture the market share of unorganized players suffering from GST and demonetization effect. We expect all the organized players (Lux, Dollar, Rupa etc.) to increase market share due to greater brand recognition in their traditional markets and loss of market share of the unorganized players. Dollar will grow faster in the premium & super premium segment as the company has entered into a 50-50 joint venture partnership with the well-known brand 'PEPE Jeans Europe B.V' under the name 'PEPE Jeans Innerfashion Pvt. Ltd', for the sale and distribution of innerwear and loungewear which includes gym wear, track suits, and sleepwear. This JV would undertake the business in the different territories of India, Sri Lanka, Bhutan, Nepal, and Bangladesh.

Distributors, MBOs and EBOs: The Company currently associated with 850+ distributors and 75000+ MBOs and also planning to come out with EBOs soon. They are expecting 5% growth in terms of distributors and 10% growth in terms of MBOs YoY basis. Dollar offers higher incentives to distributors to drive sales compared to its immediate peers.

Backward Integration: The Company has invested in progressive backward integration – from the consumption of raw cotton to final product delivery. The Company has manufacturing units with an environment-friendly infrastructure and also invested in 5-megawatts wind energy at its Dindigul facility to meet the growing demand for renewable energy. Besides, the Company has also invested in a 1000-kilolitre eco-friendly effluent treatment plant which has resulted in 'zero liquid discharge'. They are one of the few players in the industry who has their own spinning, Knitting, Dyeing & Bleaching facilities with the capacity of 400 tonnes, 300 tonnes and 300 tonnes respectively per month. It also has the Elastic production capacity of 10 lacs meter per month and Cutting capacity of 3 lacs pieces per day.

JV with a global giant: The Company has entered into a 50:50 JV with “Pepe Jeans” in August 2017, and is expected to launch its products soon. This partnership requires a capital influx of INR200 Crore with Dollar and PEPE to invest INR36 Crore each over a period of 4 years and the rest to be funded by banks as a working capital loan. In this JV management is guiding for an EBITDA margin of 18%. This partnership will give its products an exclusive access to Pepe's 350 shop-in-shop, 250 EBO's and more than 1,100+ A rated MBO's across the country apart from traditional channels of Dollar Industries Ltd.

Ad spends to be curtailed: The company spends a huge chunk of its revenue i.e. 8-10% on advertising which is highest amongst its immediate peers who spend on an average 6-7% of their revenues.

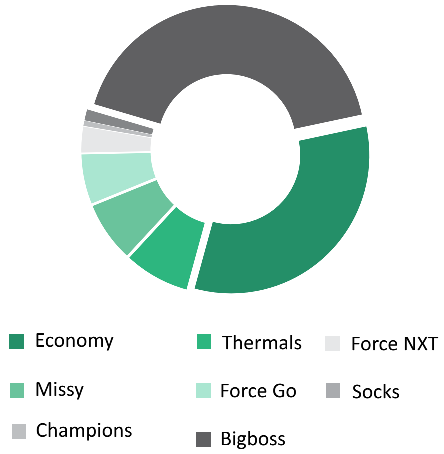
However, the Company has decided to restrict its ad spending to approx. INR86 Crore for the coming years. (Likely to be around 7% of projected FY19 sales).

Presence of women innerwear and outerwear: Intending to diversify its range from just men's innerwear, the company is focusing on the fast-growing women's innerwear and outerwear category. It has entered the women's category aiming to capture this growing segment. The INR147bn women's intimate-wear market has registered a stunning 15% CAGR over 2010-15 and is expected to provide a huge business opportunity. The company sells women's innerwear, leggings, outerwear and slacks under the brand 'Dollar Missy' which has registered a robust 50% CAGR over FY15-17, though on a low base.

Geographical presence: Dollar's operations are spread across India, with the northern region contributing a major chunk of the revenue, followed by eastern, western and southern regions. While North contributes 42.7% of the revenue, East and West contribute 25.95% and 23.21%, respectively; the residual 8.14% comes from South. They are currently looking to expand their reach in the south region by increasing distributer's network.

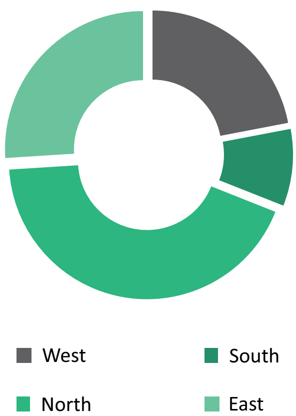
Company Overview

Exhibit 2: Brand Wise Revenue Break Up



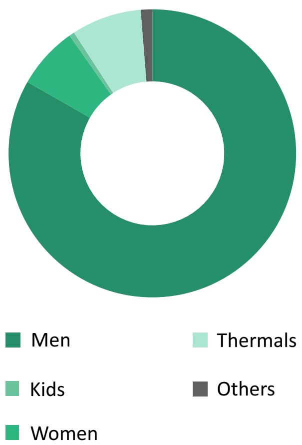
Source: Company Data & SMIFS Research

Exhibit 3: Geo-Graphical Revenue Distribution



Source: Company Data & SMIFS Research

Exhibit 4: Revenue Contribution-Segment Wise



Source: Company Data & SMIFS Research

DIL Established in 1972 by Dindayal Gupta as a proprietorship, the company was incorporated in 2005 as Bhawani Textiles, and then renamed as Dollar Industries in 2008. It began its journey with its signature brand “Dollar” in men's vests and briefs. Now, it has a wide range of men's, women's and kids’ innerwear.

In the domestic market, there are three players Dollar Ind, Lux and Rupa & co are fighting an intense war to capture a pie of the premium segment. Rupa acquired a license from “Fruit of the Loom” a wholly owned subsidiary of Berkshire Hathaway to manufacture, distribute, advertise and sell innerwear and outerwear products of the “Fruit of the loom”. On other hand Dollar Ind, DIL made a smart move through a JV with “Pepe Jeans” which will give them a profit sharing opportunity as well as direct access to the 250+ EBOs of “Pepe Jeans” that makes Dollar Ind much more promising and convincing.

If we compare this above-mentioned player's as per their sales in terms of distributer's and MBOs metrics, Dollar is much more efficient in terms of strategy as compare to other two players and they are also planning to come out with their own EBOs which justifies their expectation of doubling their revenue by FY23.

Each corporate is ceaselessly striving to carve out a distinctive niche in its vertical. In this age of information, most brands occupy mind-spaces only fleetingly; thereafter, they fade away. DIL’s principal achievement has been that brand recall has not just survived but thrived over the past decade. Even as macro-economic trends have undergone a sea change, their corporate identity and product portfolio have evolved by riding attributes. DIL’s brands have been positioned around the tagline of 'affordable premium'. This does not mean that one needs to have deep pockets to buy their products. This means that whatever the Company make for a specific consumer segment carries certain attributes that they associate with products bought by people with an income higher than theirs. This approach is neatly described in one word 'Aspirational'.

In terms of fabric quality, styling, and packaging combination of this three build a comfort zone for the buyers. Primarily by making these buyers feel that they have graduated to a superior lifestyle that he or she will be able to enjoy the conveniences of the rich and famous by buying their products. The company has outperformed which means that they grow faster during sectorial crests and resist downtrends better during sectorial troughs.

Dollar Industries Limited

Dollar Industries consistently innovated first-of-its-kind men garment designs.

Indian hosiery market grew modestly (6-8%) in FY17 and during the same period DIL has managed to surpass the industry bench mark by 9.15%.

DIL progressively grew its market share to 15% in FY17 sub-segments like “Bigboss” and “Dollar” grew from 16% of total sales in FY10 to 44% of its total sales in FY17. The result is that Dollar Industries has emerged as one of the fastest to grow within India's hosiery sector from INR300 crore to INR900 crore in seven years (FY10-FY17).

The Company provides a wide choice in terms of product categories; Dollar has extended from men's innerwear to casuals, from female inners to stylist leggings and capris from t-shirts for kids to seasonal winter thermals. They have a very wide portfolio in terms of pricing, for men from INR50 to INR500 per unit contribute 84% of the revenue, for women from INR80 to INR650 per unit contribute 7% revenue and for children from INR50 to INR400 per unit contribute 1% of the revenue. Dollar's chronological and tiered pricing strategy has made it possible for consumers to graduate impeccably to the next quality level without incurring substantial increments. As a result, they have achieved superior price-value proposition when compared to international brands and a steadily increasing slice of the market.

Dollar Industries was the first to position its brand messaging around fitness.

Over the years, Dollar has widened and deepened its distribution networks across India, to craft easy access to their product for their customers. As a result, Dollar now enjoys a growing presence across almost every single State and Union Territory. The Company works in unison with trade partners to make sure that its products and collaterals are visibly showcased across urban metropolises and rural hinterlands. Besides, Dollar has forged long-standing ties with wholesalers and retailers. This has made it possible for the Company to market a larger product thus enhancing revenue per dealer and pan-India distribution efficiency. The Company has also boosted offtake through e-commerce, enhancing consumer convenience and sending out a strong message of adaptability.

Product Portfolio

Premunization: In Aug'17, Dollar Industries entered into a 50:50 JV with the Netherlands based Pepe Jeans, Europe, to manufacture and market in India a premium range of fashion innerwear, loungewear, gym wear, sleepwear and suits for adults and kids under the brand name “Pepe Jeans London”. The JV will sell its products in Sri Lanka, Nepal, Bhutan, and Bangladesh. Pepe Jeans, Europe, has operations in more than 80 countries.

Pepe Jeans Innerfashions Pvt. Ltd., the JV, is headquartered in Bengaluru with Suresh Nambiar, who has vast experience in policy making and marketing, as CEO. He was earlier associated with HUL, Pepe Jeans, and Page Industries. The JV has started working on designing and sampling products, which are expected to be launched by Jul'18. Investment in this JV would be INR200 crore (INR72 crore in equity, the rest through debt). Both the companies have infused the initial part of their capital. Dollar will invest its portion of INR360 m in the next four years (90m each).

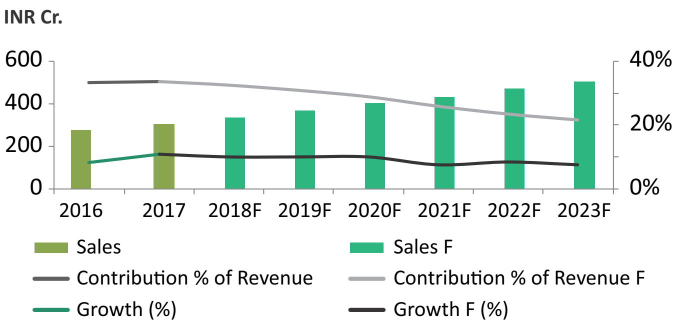
From this JV the company is expecting revenue of INR60 crore in FY19 and aims to break even at the EBIDTA and PAT levels within two and four years respectively. We expects an EBITDA margin of 18% once economies of scale have arisen.

Exhibit 5: Pepe And Dollar JV

Particulars(INR Cr.)	2019F	2020F	2021F	2022F	2023F
Sales	60.0	76.8	98.3	125.8	161.1
Sales Growth (%)	-	28.0%	28.0%	28.0%	28.0%
EBITDA	10.8	13.8	17.7	22.6	29.0
EBITDA Margin (%)	18.0%	18.0%	18.0%	18.0%	18.0%
PAT	4.0	5.1	6.6	8.4	10.7
PAT Margin (%)	6.7%	6.7%	6.7%	6.7%	6.7%

Source: Company Data & SMIFS Research

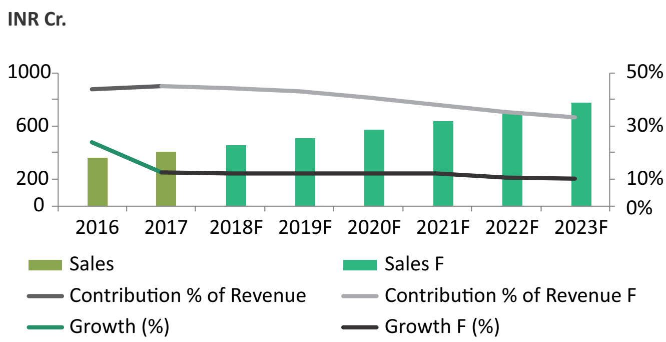
Exhibit 6: Economy Brand YoY Sales



Source: Company Data & SMIFS Research

Economy Brand: This brand attracts the mass segment of our economy that contributes 33% to total revenue, with the EBITDA margin of 8-10% and average selling price nearly INR33-35. The company is expecting 8% CAGR growth in this segment by 2020.

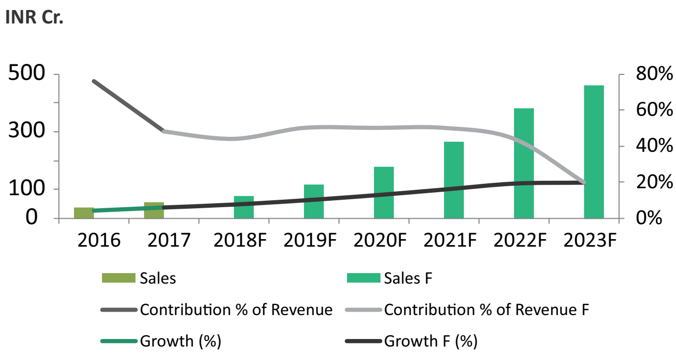
Exhibit 7: Bigboss YoY Sales



Source: Company Data & SMIFS Research

Bigboss: The main purpose of this brand to serve the need of a mid-upper segment of our economy that contributes 44% to the total revenue with the EBITDA margin of 10-12% and average selling price nearly INR63. The company is expecting a 12% CAGR growth in this segment by 2020.

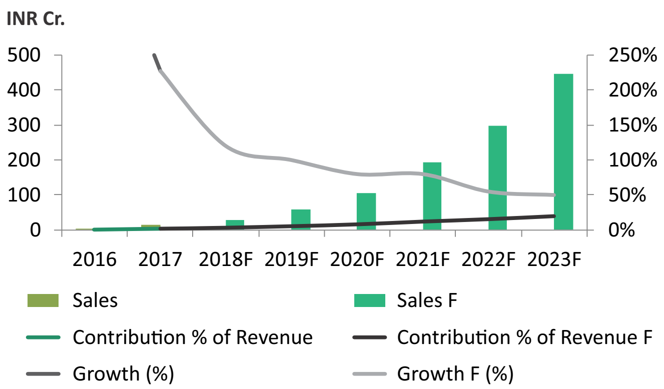
Exhibit 8: Missy YoY Sales



Source: Company Data & SMIFS Research

Missy: This brand line caters exclusively to the women innerwear segment that contributes 8% of the total revenue which yields an EBITDA margin of 18-20% and the average selling price of the products in this segment hovers around INR80. The management has guided for a 50% CAGR growth in this segment by 2020.

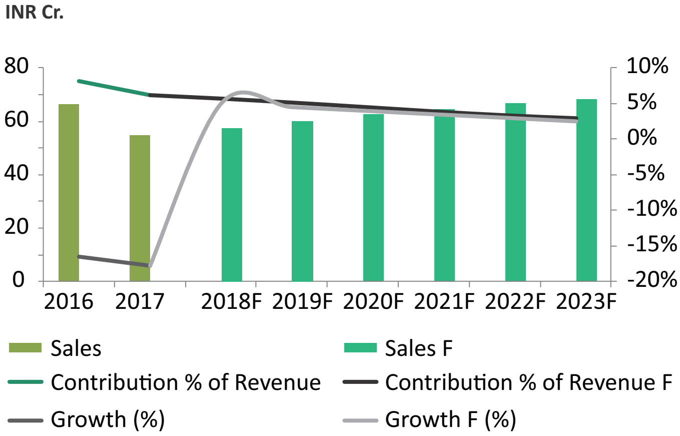
Exhibit 9: Force NXT YoY Sales



Source: Company Data & SMIFS Research

Force NXT: DIL introduced Force NXT in recent past to foray into premium men innerware segment. 3% of the total revenue comes from this segment which generates an EBITDA margin of 18-20% and the average selling price lingers around INR125. Management is very optimistic about the growth of this segment and has guided for a 100% CAGR growth in this segment by 2020.

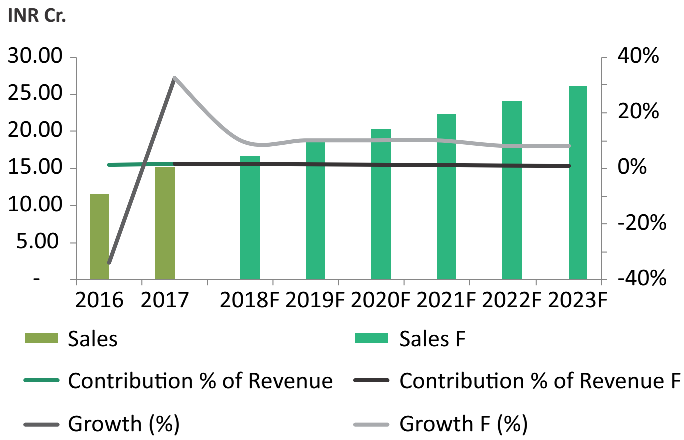
Exhibit 10: Force Go YoY Sales



Source: Company Data & SMIFS Research

Force Go: Forge Go was created with an idea to make the company's presence felt in the sportswear and leisure wear segment. On an average it contributes 6% of the operational revenue and achieves an EBITDA margin of 10-12%. The selling price in this segment averages around INR1000. The company is planning to bi-furcate this product under other existing brands in the near future as the company wants to reduce the advertisement expenses that come from the overlapping of brands.

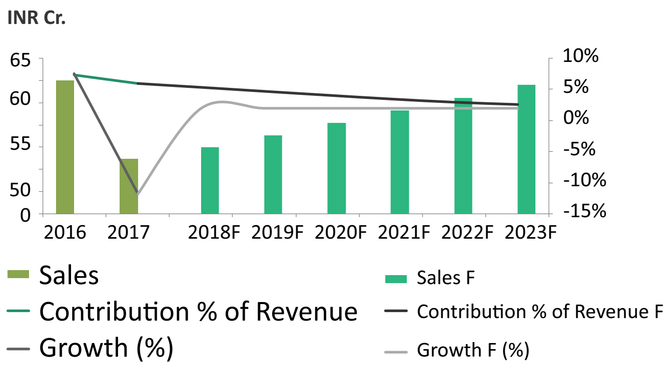
Exhibit 11: Champions YoY Sales



Source: Company Data & SMIFS Research

Champions: DIL made their inroads into the kids segment with this brand which contributes 2% of the total revenue. This brand line offers a considerably high EBITDA margin compared to the company's other brands. EBITDA margin for this segment averages around 30-32% and the selling price hovers around INR100. A CAGR growth of 10% in this segment is anticipated by the management by 2020.

Exhibit 12: Thermal YoY Sales



Source: Company Data & SMIFS Research

Thermal: DIL's thermal wear business generates around 5% of the operational revenue despite its cyclical nature and high reliance on the intensity of the winter. It yields an EBITDA margin of 16-17% with average selling moves around INR185.

Industry Outlook

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. The first cotton textile mill of Mumbai was established in 1854. Since then the Indian textile industry has grown robust and today is the second-largest producer of textiles and garments in the world but has also evolved to become the fourth largest exporter of textiles and clothing contributed approximately 11% of total Indian exports.

India still remains one of the few fastest growing major economies in the world as per the Central Statistics Organization (CSO) and International Monetary Fund (IMF). As per the Economic Survey 2016-17, Indian economy is expected to grow between 6.75% to 7.5% FY18-19. The Indian textiles industry, currently estimated at around INR6804 billion, is expected to reach INR14495 billion by 2021.

The industry is the second largest employer, after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately, 5% to GDP, and 14% to overall IIP. The growth implies domestic sales to rise to INR19845 billion from currently INR4284 billion. At the same time, exports are implied to increase to INR11840 billion from approximately, INR2583 billion currently.

The textile industry has two broad segments. The first is the unorganized sector which comprises small-scale handicraft units and using traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques to avail the advantage economies-of-scale.

On the back of demonetization and GST, lots of unorganized players suffered a lot and they need to ramp up their infrastructure to comply with the new indirect tax system. This is the sweet spot where the organized player needs to focus to increase their market share.

On the cusp of rapid growth per capita inner wear expenditure expected to double to INR300 which will push the innerwear market to INR47000 Crore from INR24000 Crore. Out of the organized innerwear market, listed player Page, Dollar, Lux, Rupa, and VIP hold only 22% that is INR5367.3 Crore which means 78% market is waiting for them.

The Indian economy is expected to grow at an accelerated 7.6% in FY19 and 7.8% in FY19 (Source: IMF, World Bank, RBI, IBEF). The RBI has pegged the gross value added (GVA) growth forecast for FY19 at

7.5%. The imminent implementation of the GST could boost interstate trade by ushering investments, reducing supply chain-related issues, improving economies-of-scale and moderating overheads. The future for the Indian textile industry appears promising, buoyed by strong domestic consumption and export demand. The organized inner wear segment is expected to grow at a CAGR of more than 13% over a 10-year period according to industry sources.

Key Performance Indicators

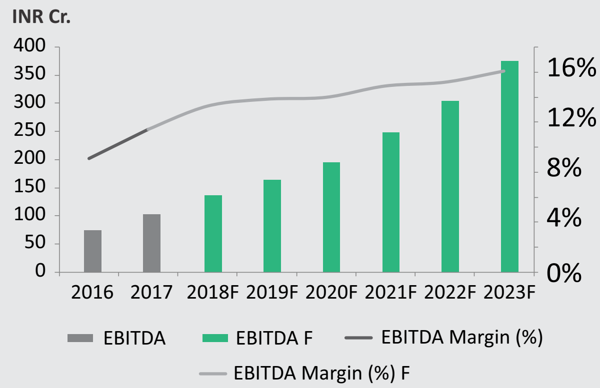
Exhibit 13: Revenue Vs. Revenue Growth (%)

Net Revenues are likely to grow on the back of rising demand in the innerwear segment, wide-ranging product basket will traction the 40% revenue growth over FY18-20E. We are expecting a strong revenue growth in near future on the back of strong market demand. The company is targeting revenue of INR2000 crore by FY22E.

Source : Company data & SMIFS Research

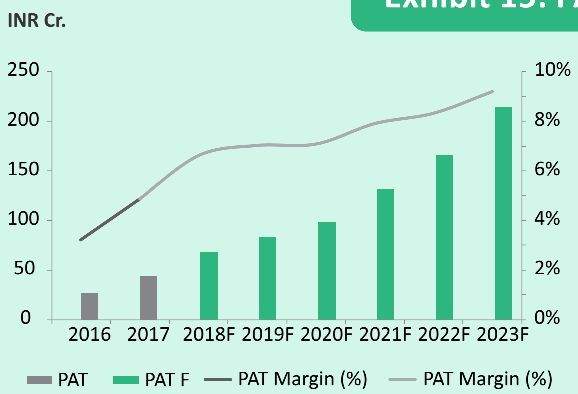
Exhibit 14: EBITDA Vs. EBITDA Margin(%)

The margin has improved significantly which will support their earnings in the near future. We expect that the company may improve its margin with the help of cost optimization and higher demand creation in the premium segment.



Source : Company data & SMIFS Research

Exhibit 15: PAT Vs. PAT Margin(%)

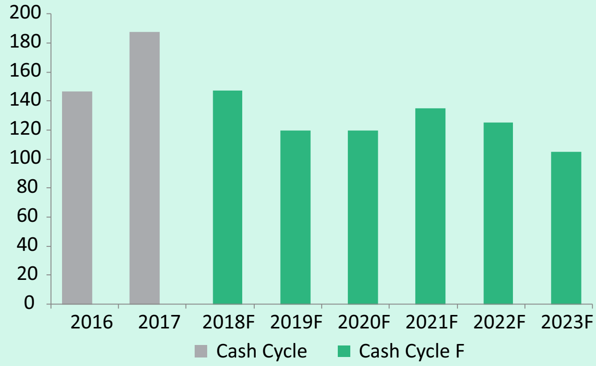


On the back of lower interest cost which will push the PAT margin to achieve higher earnings in the coming 2-3 years.

Source : Company data & SMIFS Research

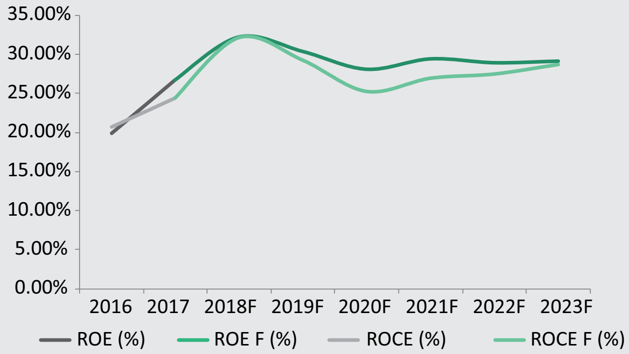
Exhibit 16: Cash Cycle

Cash cycle is a very important part to run a business, improper management may cause a significant pinch in the margins. The company is trying to manage their cash cycle diligently to reduce their short-term debt burden.



Source : Company data & SMIFS Research

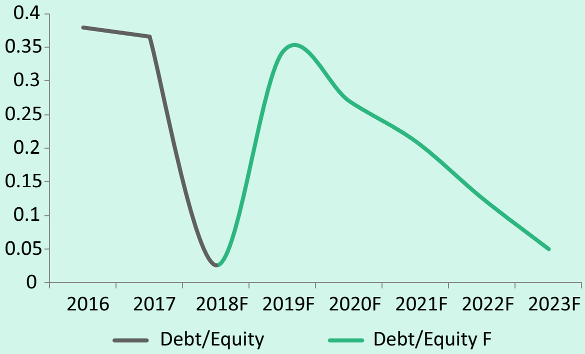
Exhibit 17: ROE vs. ROCE (%)



Return ratios to improve with company's increased focus on margin improvements via domestic and foraying into new markets and strong free cash flow generation.

Source : Company data & SMIFS Research

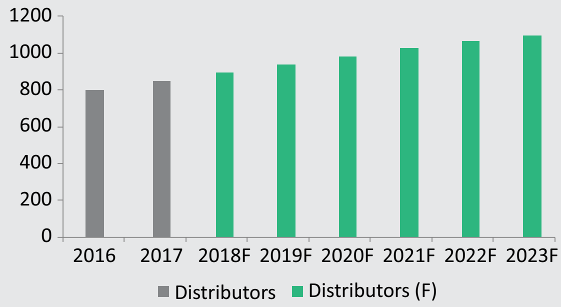
Exhibit 18: Debt-Equity Ratio



Limited Low financial leverage will give the firm a prospect to grow through inorganic and organic route.

Source : Company data & SMIFS Research

Exhibit 19: Distributors and Retail Outlets

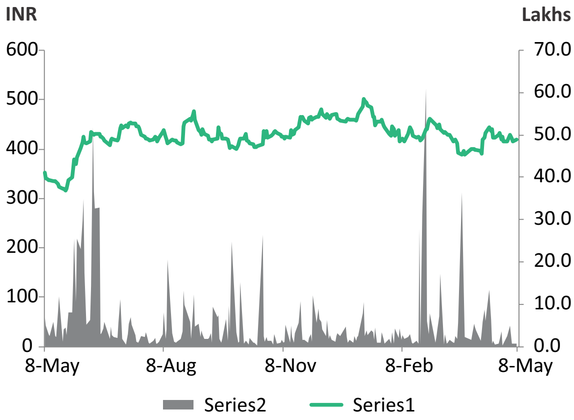


The Company is expecting 5% growth in terms of distributors and 10% growth in terms of MBOs YoY basis. Dollar offers higher incentives to distributors to drive sales compared to its immediate peers.

Source : Company data & SMIFS Research

Outlook & Valuation

Exhibit 20: Price Vol. Chart



Source : Bloomberg & SMIFS Research

On the back of favorable policies by the government towards development of businesses in India coupled with aggressive organic and inorganic growth, Dollar Industries is expecting a healthy growth of 15-20% per year for a period of 5 yrs. Aggressive brand building policies would lead to the Company accruing 15% EBITDA in a period of next 3 years. Internet penetration and urbanization are the key areas which Dollar Industries are targeting in order to carve out a market share in the premium and super-premium segments with the help of e-commerce, modern outlets, and EBO models. The Company is radically trying to change the way it operates by transforming itself to a value-driven, innovation inspired, asset light and brand powered company. We assign a P/E(x) multiple of 36.10 on FY20E EPS, to arrive at a target price of **INR656**.

Best and Worst Case Scenario: In best case, we assume higher growth than the base case in all segments. We assume 40% revenue growth over FY18-20, led by expected pick up in the premium segment. We assume higher operating margin than in the base case, driven by operating leverage. Assuming the higher P/E(x) multiple, we get a best case target price of INR765 against a base case target price of INR656.

We have valued the company on the basis of P/E multiple.

On the basis of P/E, we assign a multiple of 38.68x on FY20E EPS INR19.79, to arrive at a price of INR765.

In worst case, we assume lower EBITDA margin than in the base case. We assume EBIDTA margin at 11.5% in FY20 and sales growth of 20% (against 36% in base case scenario) over FY18-20. Lower margins would be on account of weak demand for premium product assuming the lower P/E(x) multiple, we get a worst case target price of INR455 against a base case target price of INR656.

We have valued the company on the basis of P/E multiple.

On the basis of P/E, we assign a multiple of 33.52x on FY20E EPS INR13.57, to arrive at a price of INR455.

Exhibit 21: Peer's Comparison (INR Cr.)

Company Name	Sales	EBITDA	PAT	EPS	EBITDA Margin (%)	PAT Margin (%)	ROE (%)	ROCE (%)	PE (x)	EV/ Sales (x)	EV/ EBITDA (x)	Mcap/ Sales (x)	Mcap
Dollar Industries Ltd.	**897.0**	**102.0**	**43.0**	**8.0**	**11.4**	**4.8**	**26.7**	**22.5**	**38.3**	**2.3**	**17.7**	**2.3**	**2,286**
Lux Industries Ltd.	972.0	121.0	63.0	25.0	12.4	6.5	29.9	22.7	28.6	2.2	17.3	1.9	5,072
Page Industries Ltd.	2,132.0	439.0	266.0	239.0	20.6	12.5	44.5	60.1	61.3	7.7	37.4	7.7	26,244
Rupa & Company Ltd.	1,159.0	144.0	77.0	10.0	12.5	6.7	19.1	24.9	33.7	2.5	18.5	2.4	3,525
VIP Clothing Ltd.	232.0	17.0	(6.0)	(1.0)	7.2	(2.5)	(6.4)	3.3	-	1.8	24.9	1.5	486

Source : ACE Equity & SMIFS Research

Key Risks

- **Volatile raw material prices:** If the company fail to pass the rising raw material prices then that could impact its margins.
- **Portfolio mismatch with consumer behavior**: The innerwear segment is subject to fast changes in consumer preference and technology. The inability of the company to respond to such changes would hurt its performance.
- **Head-to-head competition:** The Company operates in a highly fragmented market which involves the presence of strong international and domestic brands. Standing out in such a competitive environment in terms of price and volume is essential.
- **Skilled labour unavailability:** The textile industry is a highly labour intensive industry and lack of availability of skilled labour will hinder its expansion plans.

Financial Details

Exhibit 22: Income Statement (Consolidated) — INR Cr.

Particulars (Y/E March)	2016	2017	2018F	2019F	2020F	2021F
Revenue	821.7	897.3	1,021.5	1,183.4	1,392.7	1,670.2
Other Income	8.3	8.6	10.2	11.8	13.9	16.7
Total Revenue	**829.9**	**905.9**	**1,031.8**	**1,195.3**	**1,406.6**	**1,686.9**
% Growth on Revenue	*13.6%*	*9.2%*	*13.9%*	*15.8%*	*17.7%*	*19.9%*
Cost of Material Consumed	422.6	380.2	444.4	562.1	675.4	751.6
Employee Cost	9.1	19.5	22.2	25.7	30.2	36.2
Finance Cost	20.2	20.6	17.2	20.2	25.8	26.7
D&A	13.7	14.8	16.1	17.5	19.6	22.1
Total Expenses	**789.0**	**839.1**	**929.5**	**1,069.4**	**1,257.3**	**1,487.0**
EBITDA	**74.9**	**102.2**	**135.6**	**163.6**	**194.6**	**248.7**
EBITDA Margin (%)	**9.1%**	**11.4%**	**13.3%**	**13.8%**	**14.0%**	**14.9%**
PBT	40.9	66.8	102.3	125.9	149.3	200.0
Total Tax Expenses	14.6	23.3	34.8	42.8	50.7	68.0
PAT	**26.4**	**43.6**	**67.5**	**83.1**	**98.5**	**132.0**
PAT Margin (%)	**3.2%**	**4.9%**	**6.6%**	**7.0%**	**7.1%**	**7.9%**
Other Comprehensive Income	-	-	-	4.0	5.1	6.6
Total PAT	**26.4**	**43.6**	**67.5**	**87.1**	**103.6**	**138.5**
EPS	4.87	8.04	12.46	15.33	18.18	24.35

Source : Company data & SMIFS Research

Exhibit 23: Balance Sheet (Consolidated) — INR Cr.

Particulars (Y/E March)	2016	2017	2018F	2019F	2020F	2021F
Share Capital	7.8	10.8	10.8	10.8	10.8	10.8
Reserves & Surplus	137.7	170.1	227.5	298.1	381.8	494.0
Total Shareholders Fund	**145.5**	**180.9**	**238.3**	**308.9**	**392.7**	**504.8**
Long term borrowings	**55.3**	**66.1**	**6.1**	**106.1**	**106.1**	**106.1**
Secured	12.6	13.3	6.1	106.1	106.1	106.1
Total Non Current Liabilites	65.2	77.6	18.0	118.0	118.0	118.0
Short term borrowings	**150.1**	**138.9**	**150.9**	**162.9**	**168.9**	**180.9**
Trade Payables	101.8	93.4	86.1	99.1	135.2	146.3
Other current liabilities	48.2	25.5	53.9	38.1	70.2	59.7
Short term provisions	6.4	15.4	5.1	18.6	9.2	24.2
Total Current Liabilites	306.4	273.3	296.0	318.7	383.5	411.0
Total Liabilites	**517.1**	**531.8**	**552.2**	**745.6**	**894.1**	**1,033.8**
Tangible assets	83.7	74.7	68.7	66.3	66.8	69.9
Intangible assets	-	0.1	0.1	0.0	0.0	0.0
Total Non Current Assets	90.3	77.4	77.9	70.4	78.0	76.8
Inventories	208.4	204.9	177.8	228.2	259.6	325.0
Trade receivables	193.2	226.5	210.5	216.9	286.0	363.5
Cash & bank balances	**10.4**	**9.7**	**66.0**	**207.1**	**243.8**	**237.1**
Total Current Assets	426.8	454.5	474.3	675.2	816.1	957.1
Total Assets	**517.1**	**531.8**	**552.2**	**745.6**	**894.1**	**1,033.8**

Source : Company data & SMIFS Research

Exhibit 24: Cash Flow Statements (Consolidated)						INR Cr.
Particulars (Y/E March)	**2016**	**2017**	**2018F**	**2019F**	**2020F**	**2021F**
Profit Before Tax	**40.9**	**66.8**	**102.3**	**125.9**	**149.3**	**200.0**
[+]Depriciation	13.7	14.8	16.1	17.5	19.6	22.1
[+]Financial Charges	20.2	20.6	17.2	20.2	25.8	26.7
Operating Profit Before WC Changes	75.2	102.4	74.2	173.1	211.8	231.1
[+/-] Trade Receivables	(8.0)	(33.4)	16.1	(6.4)	(69.1)	(77.5)
[+/-] Inventories	(87.2)	3.5	27.1	(50.4)	(31.4)	(65.3)
[+/-] LT Loan and Advances	(1.7)	3.5	(6.6)	5.0	(7.1)	4.3
[+/-] ST Loan and Advances	1.5	1.5	(6.7)	(2.9)	(3.7)	(4.9)
[+/-] Other Current Liabilities	14.5	(22.6)	28.4	(15.8)	32.1	(10.5)
Net Changes In Working Capital	(56.6)	(54.0)	62.9	(83.5)	(115.3)	(165.0)
Cash From Operation	18.6	48.4	137.2	89.6	96.4	66.1
[-]Tax	9.9	21.3	34.8	42.8	50.7	68.0
Cash Flow From Operation	**8.7**	**27.1**	**102.4**	**46.8**	**45.7**	**1.9**
Capex	(12.1)	(6.1)	8.9	(10.1)	(10.1)	(10.1)
Net Cash Flow From Investing Activities	**(12.0)**	**(5.6)**	**8.8**	**(10.2)**	**(10.2)**	**(10.2)**
Interest In Finance Charges	(20.2)	(20.6)	(17.2)	(20.2)	(25.8)	(26.7)
Net Cash Flow From Financial Activities	**5.8**	**(21.5)**	**(54.1)**	**105.1**	**1.9**	**6.0**
Cash and Cash equivalent end of the year	**10.0**	**9.7**	**66.0**	**207.1**	**243.8**	**237.1**

Source : Company data & SMIFS Research

Exhibit 25: Ratio Analysis						
Particular's (Y/E March)	**2016**	**2017**	**2018F**	**2019F**	**2020F**	**2021F**
Profit Margins						
EBITDA Margin	9.1%	11.4%	13.3%	13.8%	14.0%	14.9%
EBIT Margin	5.0%	7.4%	10.0%	10.6%	10.7%	12.0%
PAT Margin	3.2%	4.9%	6.6%	7.0%	7.1%	7.9%
Growth Rates						
Revenue	13.5%	9.2%	13.8%	15.8%	17.7%	19.9%
PAT	34.7%	65.2%	55.0%	23.0%	18.6%	34.0%
As a % of Sales						
Raw Material Cost	51.4%	42.4%	43.5%	47.5%	48.5%	45.0%
Employee Cost	1.1%	2.2%	2.2%	2.2%	2.2%	2.2%
Liquidity Ratio						
Current Ratio	1.4	1.7	1.6	2.1	2.1	2.3
Quick Ratio	1.0	1.2	1.3	1.6	1.7	1.7
Return Ratio						
ROAE	19.8%	26.7%	32.2%	30.4%	28.1%	29.4%
ROACE (%)	20.7%	24.4%	32.1%	29.2%	25.3%	27.0%
Leverage Ratio						
Long term Debt/ Equity	0.4	0.4	0.0	0.3	0.3	0.2
Long term Debt/ EBITDA	0.7	0.6	0.0	0.6	0.5	0.4
Interest Coverage	3.0	4.2	7.0	7.2	6.8	8.5
Efficiency Ratios						
Receivable days	83	84	77	65	65	70
Inventory Days	140	196	155	130	130	140
Payable days	77	92	85	75	75	75

Source : Company data & SMIFS Research

STEWART & MACKERTICH
LEGACY | TRUST | GROWTH

Research & Development Strategies

Mr. Rahul Kayan
Director
rahul.kayan@smifs.com
+91 33 66345419 / 40115419
Mobile No: +91 9831893232

Mr. Ashiwini Kumar Tripathi
Director
aswin.tripathi@smifs.com
+91 33 66345415 / 40115415
Mobile No: +91 9831155058

Mr. Ajay Jaiswal
President: Strategies and Head Research
ajaiswal@smifs.com
+91 33 66345408 / 40115408
Mobile No: +91 9836966900

Mr. Rajesh Basu Majumdar
Head Equities - Institutional
rajesh.majumdar@smifs.com
+91 33 66345400 / 40115400
Mobile No: +91 9830267133

Mr. Shivaji Roy
Sr. VP - Sales
shivaji.roy@smifs.co.in
+91 33 66345400 / 40115400
Mobile No: +91 9830173200

Research Team

Mr. Ajay Srivastava
Associate VP - Research
ajay.srivastava@smifs.co.in
+91 33 66345400

Mr. Saurabh Ginodia
Associate VP - Research & Strategies
saurabh.ginodia@smifs.com
+91 33 66345407

Mr. Dipanjan Basuthakur
Sr. Research Analyst
dbasuthakur@smifs.com
+91 33 66345486

Ms. Sutapa Biswas
Sr. Research Analyst
Economy
sutapa.biswas@smifs.com
Mobile No: +91 9836020612

Mr. Abhishek Roy
Research Analyst
FMCG/Retail/Consumer Durables
abhishek.roy@smifs.com
+91 33 40115468

Mr. Kapil Joshi
Research Analyst
Infrastructure/Power
kapil.joshi@smifs.com
+91 33 40115468

Ms. Mononita Mitra
Research Analyst
Agro/Chemicals
m.mitra@smifs.com
+91 33 40115468

Mr. Pratim Roy
Research Analyst
Oil & Gas/Textiles
pratim.roy@smifs.co.in
+91 33 40115400

Mr. Debjit Maji
Research Analyst
Auto & Auto Ancillary/Telecom
debjit.maji@smifs.co.in
+91 33 40115474

Mr. Anmol Das
Research Analyst
Metals and Mining
anmol.das@smifs.co.in
+91 33 40115474

Mr. Sarthak Mukherjee
Research Analyst
Aviation/Hospitality/Logistics
sarthak.mukherjee@smifs.co.in
+91 33 40115474

Mr. Anupam Goswami
Research Analyst
Building Products/Capital Goods/
Construction Equipment
anupam.goswami@smifs.co.in
+91 33 40115474

Mr. Anik Mitra
Research Analyst
IT/ Pharmaceuticals
anik.mitra@smifs.com
+91 33 40115400

Commodity Research

Mr. Sam Nair
AVP - Commodities
sam.nair@smifs.com
Mobile No: +91 81138 52263

Technical Research

Mr. Jaydeb Dey
Technical Analyst Equities
jaydeb.dey@smifs.com
+91 33 66345433

Sales Leadership Team

Mr. Monal Desai
Sr. VP - Institutional Sales
monal.desai@smifs.co.in
+91 2242005555
Mobile No: +91 9821137303

Mr. Vishal Prabhakar
Sr. VP - PMS & PCG
vishal.prabhakar@smifs.com
+91 33 30515400 / 40115400
Mobile No: +91 9831554477

Mr. Jaydeep Pattanayak
Plot No. 15-B, Bapuji Nagar, Unit-I,
Ashok Nagar, **Bhubaneswar - 751009**, Odissa, India.
jaydeep.pattanayak@smifs.co.in
Mobile No: +91 9583099025

Mr. Taj Mohammad
6th Floor, 654, Aggarwal Metro Heights,
Netaji Subhash Place, Pitampura,
New Delhi – 110034, India.
taj.mohammad@smifs.com
Mobile No: +91 9818754786

Mr. Sohil I Khan
Office No. 5G, New Marine Lines, Court
Chamber, **Mumbai - 400 020**,
Maharashtra, India
Mobile No: +91 9930294893

Mr. Saurasanta Biswas
Vaibhav, 4 Lee Road,
Kolkata - 700020, India.
saurasanta.biswas@smifs.co.in
Mobile No: +91 9883604672

Investor Relations and Data Support

Ms. Tania Das
Sr. Associate Client Relation
tania.das@smifs.co.in
Mobile No: +91 9836162494

Mr. Deepankar Saha
Research Assistant
deepankar.saha@smifs.co.in
Phone: +91 33 40115468
Mobile No: +91 9831260464

Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 12% and 20%
Accumulate	between 6% and 12%
Hold	between 0% and 6%
Sell	0 to <-10%
Neutral	No Rating

Bloomberg Ticker for Stewart & Mackertich Research: SMIF<Enter>

Contact Details

REGISTERED OFFICE
Mr. Sandipan Chatterjee
Vaibhav, 4 Lee Road,
Kolkata 700020, India.
Phone: +91 33 66345400 / 40115400
Mobile No: +91 9748899161

REGISTERED OFFICE
Ms. Debjani Sen
Vaibhav, 4 Lee Road,
Kolkata 700020, India.
Phone: +91 33 66345401
Mobile No: +91 9748899162

MUMBAI
Mr. Vaibhav Wadke
Office No. 5G, New Marine Lines, Court
Chamber, Mumbai - 400 020,
Maharashtra, India
Mobile No: +91 -9967642795

NEW DELHI
Mr. Rajesh Kumar Jha
6th Floor, 654, Aggarwal Metro Heights,
Netaji Subhash Place, Pitampura,
New Delhi – 110034, India.
Mobile No: +91 9999243622

BANGALORE
Mr. S. Srikanth
No.153, 2nd Floor, Sheela Arcade, 7th Block
Koramangala, (Opp. — Sai Baba Mandir)
Bangalore - 560095, India.
Mobile No: +91 9845020017

CHENNAI
Mr. K.K.Raja Gopalan
New No.4/2, Bajaj Apartments,
Seethamal Colony, 1st Cross Corner, Alwarpet,
Chennai – 600018, India.
Mobile No: +91 9383931590

LUCKNOW
Mr. Ashish Verma
6 Park Road, UGF 4, Hazratganj,
Lucknow - 226001, Uttar Pradesh, India.
Mobile No: +91 9559378972

BHUBANESHWAR
Mr. Jeetendra Nath Sahoo
Plot No. 15 -B, Bapuji Nagar,
Unit-I, Ashok Nagar,
Bhubaneswar - 751009, Odissa, India.
Mobile No: +91 9668257514

PATNA
Mr. Ram Singh
606/A, Ashiana Plaza, Budha Marg,
Patna – 800001, Bihar, India.
Mobile No: +91 9570507409

KANPUR
Mr. Amit Kumar Gupta
Office No.212 - 213, 2nd Floor, KAN Chamber,
Adjacent to UP Stock Exchange, 14/113, Civil
Lines, Kanpur - 208001, Uttar Pradesh, India.
Mobile No: +91 9151104767

RANCHI
Mr. Wasimur Rahman
4th Floor, Sethi Corporate,
Pee Pee Compound, Near Sujata Chowk,
Main Road Ranchi - 834001
Mobile No: +91 9534212670

PATHANKOT
Ms. Anuradha Marwaha
SCO G - 69, Netaji Market,
Opp. Hindu Co.op. Bank, Dalhousie Road,
Pathankot - 145001, Punjab, India.
Phone: 0186 - 2222201/ 2222205

Members: NSE | BSE | MCX | NCDEX | NSDL | CDSL | Repository

(For Disclosures and Disclaimers please follow the page below)

Disclaimer

Any document, including this report, which is prepared by the research team of Stewart & Mackertich Wealth Management Ltd. (SMIFS) is circulated for the purpose of information only to the intended recipient and should not be replicated or quoted or circulated to any person/corporate or legal entities in any form. This document/ documents/ reports/ opinion should not be interpreted as an Investment/ taxation/ legal advice. While the information contained in the report has been procured in good faith, from sources considered/ believed to be reliable, all/ part of the statement/ statements/ opinion/ opinions/ view/ views in the report may not be considered to be complete or accurate. Therefore, it should only be relied upon at the recipients own risk.

Research Analysts/ Economists/ Advisors/ Investment Strategists or any other spokes persons of the company (SMIFS) are often sought after for expressing their views on print/ electronic/ web media. The views expressed are purely based on their assumption/ understanding on fundamental approach/ technical and historic facts on the subject. The views expressed should not be construed as an offer to buy/ sell or hold equity/ commodity/ currencies or their derivatives. The views/ opinions expressed is for information purpose only, and may change due to underlying factors, related or unrelated or other market conditions and may or may not be updated.

Stewart & Mackertich Wealth Management Ltd, its subsidiaries, or any of its directors, employees, agents, and representatives shall not be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information/ research reports/ opinions expressed.

Disclosure: Clients/ associates of SMIFS Group may be holding positions in equities or their derivatives on which the research report is made or opinion is formed or views are expressed in print or electronic media. We ensure all compliance is adhered to with this report/ reports/ opinion or views expressed.

Analyst ownership of the stock – NIL
Analyst's dependent relatives' ownership in the stock – NIL

Analyst Certification: *The matter related to the report has been taken from sources believed reliable and the views expressed about the subject or issues in this report accurately reflect the personal views of the analyst/ analysts. Stewart & Mackertich Wealth Management Ltd. does not compensate partly or in full, directly or indirectly, related to specific recommendations or views expressed by the research analysts/ market strategists/ Portfolio Managers.*

REGISTRATION as required under SEBI (Research Analyst) Regulation 2014 has been granted by Securities & Exchange Board of India (SEBI), registration number being INH300001474.

Stewart & Mackertich Wealth Management Ltd.
Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.
Tel.: +91 33 6634 5408 /, Fax: 91 33 22893401

Website: www.smifs.com

For queries related to compliance of the report, please contact:
- Sudipto Datta, Compliance Officer
Contact No.: +91 33 66345414 / 4011 5414
Email Id.: compliance@smifs.com / sudipta@smifs.com