



“Dollar Industries Limited
Q4 FY2019 Earnings Conference Call”

May 28, 2019



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Moderator: Good day ladies and gentlemen and welcome to the Q4 FY2019 Earnings Conference Call Dollar Industries Limited, hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sagar Dhawan from Ambit Capital. Thank you and over to you Sir!

Sagar Dhawan: Thanks. Good afternoon ladies and gentlemen I welcome you all to the call. I would like to thank the management for taking their time out to address our queries today. From the senior management of Dollar Industries, we have with us Mr. Vinod Kumar Gupta, the MD, Shashi Agarwal, who is the Senior Vice President, Corporate Strategy and Ankit Gupta, VP (Marketing). With that I will hand over the call to the management for any operating remarks. Over to you Sir!

Vinod Kumar Gupta: Myself Vinod Gupta, Managing Director of Dollar Industries Limited. Good afternoon and warm welcome to every one on the earning call of Dollar Industries Limited for Q4 2018-2019.

We are witnessing sluggish economic growth and lower consumption at consumer level, rapid growth in fixed investment and muted exports; however, the recent announcement of Lok Sabha election results, which was announced on May 23, 2019, the elected government looks more promising towards the development of Indian economy with specific focus on new industrial policy to raise the competitiveness of local manufactures and service company. The newly formed government is getting big and spending towards the development of infrastructure in coming five years and also to provide support to MSME sector which is the backbone of India’s economy and largest employer. In spite of economic slow down, the company is glad to share that Q4 2019 was better than previous quarter in terms of revenue growth. All the product portfolios have seen an upward direction as result of which the overall sales of the company as boosted up. Company's continued effort to provide good quality of products at reasonable prices proved to be worst from Q4 2019 and company remains positive towards improving the quality of the product and supplying friendlier product at an affordable price.

I would also like to inform you that the company is initiated a pilot project to increase its reach and range at the retail counters. Currently we are just three months into the pilot and seeing encouraging results as a result of which we would like to test the same in another area. The company aims to launches its new product on pan India basis by the joint venture



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company Pepe Jeans Inner Fashion Private Limited. So for the products launched by this venture company as we see good response in Southern India, now very soon the product would be reachable to mass public through various sales channels all across the country.

This is all from my side. Now I would like to handover to Shashi who talk to you about the financial performance of the company for this quarter. Thank you.

Shashi Agarwal:

Thank you Sir, very good afternoon to everyone. The financial snapshot of the company, the company achieved total revenue of 130.96 Crores for the year 2018-2019 as compared to 927.55 Crores in the previous year recorded a growth of 11%.

EBITDA of the company stood at Rs. 137.87 Crores which is 13.37% as against 125.87 Crores which was 13.57%. PBT is at 11.03 Crores that is 10.77% versus 95.80 Crores which is 10.22%. The PAT after considering the OCI and loss of the joint venture company which is around 1.66 Crores, 74.23 Crores which is 7.2% as against 53.86 Crores which was a 6.9% in the previous year. The debtors of the company as on March 31, 2019 stood at 347.62 Crores, which is approximately 110 days as compared to 71.70 Crores, which was around 100 days last year and inventory is around 324.57 Crores on 108 days compared to previous year 282.89 Crores approximately 95 days. The creditors have also increased 147.48 Crores at 46 days as compared to 112.700 Crores that is 39 days as on March 31, 2018.

Total working capital cycle stands at little expanded from almost 70 days as compared to 156 days last year. The company continues its endeavor to reduce the debtor days working closely with the distribution network.

Now moving onto the brand wise breakup, the company flagship brand Bigboss stood at 42%, Champion is 1%, Force Go Wear at 4%, Force NXT stood at 2%, Missy 8%, economy range of products stood at 78% and Thermal 7%.

That is the basic number from my side from the company. Now we will open the forum to the question and answer.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia:

Thanks for taking my question. If you could give me the breakup of 810 Crores sale of Men's wear between upper and lower and what was it last year?

Shashi Agarwal:

Sorry Prakash if you could just repeat your questions again?



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- Prakash Kapadia:** 810 Crores is approximately in Men's wear turnover for FY2019, if you could give me the breakup between Men's upper and lower in terms of product breakup of the sales?
- Shashi Agarwal:** Very difficult for me to give it immediately as in Men upperwear and lowerwear. What we do is as a category we do it innerwear and outerwear. So I have to say but in general when I really look at it I would say 55% would be my bottom wear and 35% would be my lower wear.
- Prakash Kapadia:** It will be around two-third and one-third.
- Shashi Agarwal:** Yes. But in general that is in the approximation number which I am giving, but in general if we have to go and I would have the much details breakup in terms of innerwear and the outerwear.
- Prakash Kapadia:** Sure and this would be broadly same over the last few years, it would have been in this two-third, one-third kind of a range?
- Shashi Agarwal:** See if you really be very specific to last two to three years, I will see the number would not have changed much, may be a decrease of in the upper side the vests would have been little over and bottoms have really gone little down 2% to 3%, but may be some time maybe 10 years back, this would not have been the case, it would have been in a little different.
- Prakash Kapadia:** Any sense you got in women's which is I think around 100 Crores sales for us between upper and lower?
- Shashi Agarwal:** Women's actually I would say it is mostly the lower. Camisole is another intermediate which we do. As we are not into the brazier segment right now, so if you are really looking at the brazier segment also that stays as zero but otherwise it is mostly lowerwear because we are in the leggings, panties and camisole, major sales would come from the panties and the leggings as well.
- Prakash Kapadia:** Thanks. If I look at the Q4 performance there has been a 9% sales growth in around PBT growth of 4%-4.5%, so what is affected the current quarter and even on a full year basis if I were to look at the PBT, it is around 15% growth, last year we were expecting much higher growth on account of GST benefits, media spends, raw material we had procured, so what has gone into FY2019 as a whole because I would guess this is lower than what we were anticipating in terms of growth, so if you comment on that that would be helpful?
- Shashi Agarwal:** Prakash, if you look at the cost of material consumed segment, our gross margin on the yearly basis, we have really made a big saving there around about 1.72% to the revenue.



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Last year on a full year basis, we had got 43.86% in cost of material consumed, whereas this year it is only 42.24%, so savings which we are talking about has already been built in, but for the quarterly basis the numbers are like kind of little different. My quarter numbers are little higher for the cost of material consumed and the specific reason being this that the cotton prices, the yarn prices had gone up in the February and March. So these kinds of fluctuation keep happening. The cotton prices are very, very volatile to keep changing over the years and the impact will see into the systems, in the quarters that follow. Many at times, they are respected immediately and many at times because of the huge stock which we have it is passed onto the next quarter. So the best way to look at this consumption number is on a yearly basis. Yearly basis we have done a good job in terms of the efficiencies and the pricing and the other element backward integration helped us to stay there, but if you come down little below other expenses I have had a big increase there of around 1.6%, major on this, we contributed by two elements, one is advertisement and another is my selling and distribution expenses. In the last concall also we just talk about it but advertisement is little which you are planning to cap at 86 Crores has been taken up because of the investment which we are making in terms of he was the brief ad being done by Akshay Kumar, getting brand celebrity into the Missy to increase the sales. So that is an investment which I would say that it has been done by the company understanding what is the impact in terms of the bottomwear is there. That was a conscious decision by us to further into this advertisement category to help us get the benefit of these celebrities we are having on them.

Prakash Kapadia: What was the aspect this year?

Shashi Agarwal: It is around 100 Crores.

Prakash Kapadia: Yes. Sorry you are saying secondly.

Shashi Agarwal: Secondly it is selling and distribution, which again we have a little increment there. Very specifics to retails can which we have been continuously giving them, last quarter also little higher we had some retail schemes, even this particular quarter we had certain retail schemes, which is again inflated our cost there, which has definitely been us to go into the market. So these are two numbers if I have to say that has taken around about 1.6% hit onto my EBITDA numbers. Otherwise if we come down to PBT you see there is some efficacies in terms of depreciation in terms of my finance cost, etc., the numbers would have been much better had we kept this to cost in the control, but again it was the conscious decision by the company taken to understand the market to penetrate the market, and make an investment in terms for the future for coming years.



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- Prakash Kapadia:** Understood. I will come back if I have more questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Pratim Roy from Stewart & Mackertich. Please go ahead.
- Pratim Roy:** I have a few questions. First question is if you can give me the numbers T-shirt sold, in the year FY2019, so can give me the figure.
- Shashi Agarwal:** Pieces which have been sold this particular financial year is around 18 Crores pieces as compared to 17 Crores last year.
- Pratim Roy:** Second question is that in FY2019 and what is the sales trend post Q4, due to the election all consumptions slow down everything is expected, so if you can give me the idea in the last two months sales trend how the volume pickup and all, if you can give some idea on that?
- Shashi Agarwal:** I would say nothing very, very promising or very different, but yes the company is making its continuous first to reach the retailers in the market so the various we already talked about it, the sales and advertisements so there is some pickup in the company side. But again coming from the entire general economic scenario on, general feedback, I would now see that there is much change there, it is still very, very sluggish but yes, company has its own problems and trying to make its endeavor to increase that space.
- Pratim Roy:** Okay and another question is that what is the operating cash flow for FY2019?
- Shashi Agarwal:** Also we are positive in terms of from operation the cash flow is positive there. But I have noted as a very big number, 3.5 Crores positive cash per year but then again I have certain investments in terms of my fixed assets, I have certain investments in terms of the outflow happening to the Pepe joint venture, which a little cash flow is sitting there. And overall if you see my debtor days are definitely a little increased which I have already talked which I had to fund through the inflow or infusion of my increased working capital credit limits.
- Pratim Roy:** From last one year, I just want to know something that what company was focusing on to improve the debtor days and improve the working capital cycle as a whole, but other industry participants are doing that slightly in a positive mode but I am seeing that your numbers are slightly higher as compared to the last year, any specific reason behind that why this number is going up?
- Shashi Agarwal:** This is a particular problem which has everybody is feeling, it is around it, it is not only us, the general availability of the cash in the system in the formal channels is very, very tight, it



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is very stringent and if you really have to look at the hosiery industry but across the industry who are following this particular channel with the distribution system there was once unorganized and now we have moved into the organized channel, but then having the money flow or the working capital cycle available into the books of account has become a very big challenge. This inflows kind of little restricted also because against the retail level it is still not 100% being organized there. They have been just converted into the unorganized from that. We were always being into organized from that. So just kind of mismatch is creating a working capital gap for themselves, which is felt across industry, pick up any other companies also who are into similar kind of a channel, you see the debtor days are a pain. It is a pain for us as well. We are trying to work around again which we have been trying about advocating them into channel financing, again trying to see how we can decrease their inventory days, or just make a supply in the right opportunity which they require with the sales ahead using our distributor database so that the numbers go up rationalizing their sales we do not have much work from what they need. These are certain steps which we are taking to ensure that we get this time; availability of cash in the books of account on the working capital cycle into the books is a very big challenge.

Pratim Roy: Just one clarification of late you are comfortable at the positive number right for operating cash flow?

Shashi Agarwal: Sorry Pratim I lost you?

Pratim Roy: Yes. We are expecting a positive OCF right, 3.5 Crores if you mentioned from expense also the number will be positive in terms of absolute figure?

Shashi Agarwal: Yes operating figure would be 3.5 Crores positive.

Pratim Roy: Okay and what is the ad spend that you are targeting for FY2020?

Shashi Agarwal: We want to rationalize it. We have already created a budget around about 09 Crores, once definitely it should be 100 Crores this year, but getting back to 86 will be a little difficult so we targeting a 90 Crores budget this year.

Pratim Roy: For Force NXT what is the market trend? How this brand is doing, you can give some idea on that because that is the premium thing and the premium thing now competitor is also facing lot of issues in the premium segment because of the competition, and lot of other brands entering into the picture, so what kind of competition you are facing in the particular segment what is the challenge that you are facing at the same time what is the Force NXT



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visibility and what is the prospect that I just want to know the update on that particular brand, you can give some idea about that.

Ankit Gupta:

This is Ankit. Regarding Force NXT, this year we have launched the leisure in Force NXT. The product development is taking place every quarter, so we are coming up with more fashionable and trendy products. Apart from that our distribution channel which was lacking last year is also getting build so we have covered southern part of India with good distributor, the sale is taking place, the retailers and the customers also accepting the products in their particular zone, so currently still we are not present pan India, but yes we have there in some parts of Northern India, some parts of northeast, western part of India like Gujarat and then the southern part of India we are there with Force NXT. Talking about with the growth would be good this year so we have projecting a good growth in the Force NXT also.

Pratim Roy:

Are you able to think about any kind of brand endorsement like any celebrities, like Akshay Kumar who is there in Bigboss and all, so have you thought about that, any brand ambassador or brand endorsement in particular to this brand Force NXT?

Ankit Gupta:

No, not really. Actually, see when we do a brand endorsement, so when we hire a celebrity endorser, then you need to be present at all the retail stores pan India so that you can take maximum advantage of celebrity face. So, currently with the kind of presence that we have in Force NXT, it is really very difficult to hire a celebrity face because there is a loss in sales with the extra expenditure in advertisement. So, we are not thinking of having a celebrity face, but yes we will be advertising in those pockets where we already have sales going on, where we have distribution channel in place. Plus also we are tied up with amazon.com for Force NXT only as of now. So we send our Force NXT goods to the warehouse in USA and the sale has started picking up just now. It is very miniscule at the moment, but we see good opportunity over there as well.

Pratim Roy:

My last question is there any kind of product innovations are we planning any or mid segment brand like Bigboss and or any normal Dollar brand, is there any kind of new innovative product that you are planning to implement in the coming quarter or year?

Ankit Gupta:

In Bigboss also we have launched at leisure range, for mens and for teens, both. So, the product portfolio contains shorts, capris, track pants, joggers, Polo t-shirts, round neck t-shirts and a lot of varieties. There are around 32 SKUs that we have launched in Bigboss currently plus we have an upgraded product called J-Class in Bigboss, so the fabric that we are using is a blend of cotton and Giza cotton, which is an Egyptian cotton. The touch and feel fabric quality is of a higher quality than what we used to use in normal Bigboss vest.



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Also we have come out with some of the like brief and trunk which are made up of very good quality fabric, very high quality fabric, so we are with time we are making the changes, we are upgrading the products so that people can have the feel of a premium product at a mid premium brand segment as well.

Pratim Roy: My point is that actually I mean that like your competitor recently launched a new product line scented vest, so these kinds of things are you planning for? I am just asking on that?

Ankit Gupta: We did do this kind of an R&D two years back, but we did not find any opportunity in this space particularly, so we are not looking at such kind of an innovation, but yes, obviously the fabric that we use, now we have started using odor free or bacteria free fabric for our product which is a better innovation in the product than having a scented vest.

Pratim Roy: Thank you very much and best of luck for the coming quarters.

Moderator: Thank you. The next question is from the line of Shashanka Balan from Rockstud Capital. Please go ahead.

Shashanka Balan: Congratulations first of all on good set of numbers and thank you for the opportunity. I wanted to first ask regarding in last quarter we had made announcements regarding resignation of two directors, so what I could guess is that are we planning for some acquisition, can you throw some light on that? I wanted to ask regarding the director resignation that happened, we had announced it last quarter, so just wanted to know what was it for the reason or is it relating to some acquisition that we are planning?

Shashi Agarwal: So this was for the independent directors. One of the independent directors on our board had resigned, so we had appointed a different one, so it got nothing to do with any mergers or acquisitions here.

Shashanka Balan: So that is why the Chairman had to resign for that particular purpose so that there is balance?

Shashi Agarwal: Chairman had resigned because he has attained age of 75 years. The resignation of the Chairman had to be with his age and the resignation of the independent directors were their choice.

Shashanka Balan: Other thing I wanted to ask, I could see that Force Go Wear has actually decreased as a percentage in FY2019, so do we think we are planning to take this brand ahead or we are focusing on Missy and Force NXT for this particular year?



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- Shashi Agarwal:** Force Go Wear has been an old brand of ours, which has continued for quite sometime and since the Leisure being launched in Force NXT and we are planning to do with the Bigboss as well, we definitely are planning a consolidation in terms of the brands are concerned, but immediately nothing would happen of that suff, we continue with Force Go Wear, may be gradually this is one call we will take in terms of consolidation then may be three years post we might decide on something.
- Shashanka Balan:** Just on the numbers part, can you explain what was the performance of Missy and Force NXT in FY2019 as a percentage; how much was the growth?
- Shashi Agarwal:** Missy overall for FY2019 grew at 30% rate whereas Force NXT had grown at around about 5% only. We expect a better traction this year with introduction of the Leisure and the measures which we are taking at ground level which Ankit Ji just explained, we expect a better traction here, but yes, Missy did quite well at 30% growth which was a split of 13% in terms of volume and 15% in terms of price growth.
- Shashanka Balan:** What do we expect for FY2020 out of these brands, do we have a number in mind?
- Shashi Agarwal:** Yes, Missy we want to do around about, if I had to look at my number of Missy, we have been about 75 Crores, we want to do it about 100 Crores and Force NXT we have been at 22 Crores, and maybe we look at the number of 28 Crores.
- Shashanka Balan:** My last question would be I wanted to ask regarding what is the percentage of sales that we have today as exports, online and the large retail format stores in FY2019, the whole year, do you have a combined number?
- Shashi Agarwal:** Exports which Ankit Ji mentioned about, the amazon.com for USA is the recent one and the number would be very, very minuscule, so major of our exports will come from the physical exports which we do through the shipping of the cartons here, online is very, very minuscule number right now, we just started in the last quarter itself, so nothing that needs to talk about, may be a year later, we get into those kind of numbers there. Otherwise the large format stores and e-com platform within India put together is around 2.5% to 3% for us.
- Shashanka Balan:** Any guidance on that, may be two years down the line?
- Shashi Agarwal:** Definitely, Ankit Ji would want to talk about the way we have increased the stores across the channels.



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- Ankit Gupta:** So, this year we have started Aditya Birla stores where we are present. We have some of our MBO stores like the chain stores based out of northern part of India like Fashion Bull, City Megamart, City Kart, City Lite, these has been added to the portfolio. Also brand factory is increasing the stores day-by-day, so we are present in all the 100% stores that they have currently, so it is around 93 stores. So these are the kind of stores that we are dealing with. In Aditya Birla, there are 15 numbers of stores in the name of More. Arvind Lifestyle, we have 72 stores that we have acquired this year for our different brands, so in totality, if you talk about the point of sale, calculating the number of brands in each of the store, so we have increased by 300 this year.
- Shashanka Balan:** So what is the number that was there before for large formats?
- Ankit Gupta:** So currently we are standing at around 900 point of sales and this year we will take it to around 1500 point of sales and with respect to e-commerce we are present on all the major platforms, like we talked Jabong, Myntra, Flipkart, Amazon, so we are present in all the major e-commerce platform.
- Shashanka Balan:** And what has been the traction after which we have started listing, I think this we have done in this year itself, right?
- Ankit Gupta:** E-commerce and large format stores have been there for one, one-and-a-half years and we have been doing that, so we e-commerce has always been there. Large format stores this year like 2018-2019 we have added few more stores, before that we used to have this Brand Factory and Reliance Trend, Reliance Market has closed down its operation, so we have exited Reliance Market and now we are like heading forward and closing as many stores as we can, so we are in talks with Pantaloons as well for having our product displayed in their stores as well.
- Shashanka Balan:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Shiv Kumar from Unifi Capital. Please go ahead.
- Shiv Kumar:** Thank you for the opportunity. So what is the revenue guidance, which you are planning for FY2020?
- Shashi Agarwal:** Shiv, I would still maintain my statements of achieving 15% in total of five years, which we have been talking about. I would refrain from giving an individual year wise guidance. We have already discussed in terms of increase in reach and range, which we are targeting and



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to do that we need sometime in terms to expand that to put that pilot project into operation once we are convinced with the entire workability of it, so till the time that is there we will not have any guidance. Overall considering the last year and three years ago 15% CAGR growth is what we are looking up.

Shiv Kumar: Got it and this year we saw steep increase in the employee cost and also the other expenses, so should one assume that the trend will continue for FY2020 also or would you tone it down this year?

Shashi Agarwal: Other expenses I explained that it is a major component, which would have taken a hit that was advertisement and selling and distribution expenses, so advertisement as we told that it was Rs.101 Crores, we will get it down to Rs.90 Crores. Selling and distribution we will not want to increase it any further now, but in terms of employee there would be a little slight increase because we are investing into a people now and the project which you are talking about also induce a little increase in man power requirement, so yes, employee a little increase would be there.

Shiv Kumar: But would it be as steep as 27% that we got to see this year?

Shashi Agarwal: Sorry.

Shiv Kumar: Would it be as steep as 27% that we got to see this year on a full year basis, the employee cost?

Shashi Agarwal: Yes, I would say 20%, 25% we might see the increase, it would be there, but if you look at this total revenue, as a percentage of revenue I would say that number would not be significant, that is an absolute value increment, which is at 27%, yes because the project which we are undertaking requires a lot of manpower involvement, I would be able to talk in much details may be sometime after we have concluded our second pilot as well, but yes, the incremental which continue in terms of the employee expenses.

Shiv Kumar: Okay, so you are planning to kick off that project within FY2020 right, may be the second half, when are you actually planning to?

Shashi Agarwal: Yes, I would say yes that we are planning that way, if everything goes well with a second pilot as well, so the first pilot which we did was an area, which is kind of we are weak and we wanted to foresee the result, which were promising, but being a weaker area we also want to test in area where we are strong that is somewhere we now that, we feel that there is more scope to penetrate but since the consultant believe that we can still penetrate in a



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stronger area, we will go through the pilot, we will see the result and if we see that it is a positive and encouraging result as promising as what we have seen in the weaker area, we would definitely go ahead with it and kick off this year itself, may be towards the second half.

Shiv Kumar: The second pilot in the stronger area would start pretty soon right and it will take again two, three months like the first pilot project?

Shashi Agarwal: June we will be able to start the second pilot as well.

Shiv Kumar: Shashi any guidance on the working capital because we have not seen any improvement this year, so would you be able to improve it?

Shashi Agarwal: Yes Shiv. We did get a little traction in December, but unfortunately that moved up, so yes this particular project which we are working along with, there are two aspects of it, it helps to tone down the inventory level, the entire procurement supply chain and at the distributor level, the company level, so it is basically working on making sure that your pipeline is filled enough, because it is not overfilled, so that tone story in your inventory in each and every stage, so that is definitely going to help me one, it is going to help me to create my lead time at every stage right, starting from procurements to the supply. Second it also ensures that when you are supplying in smaller kind of limited quantity to the distributors their outstanding also decreases. They are not oversupplied for these stuff, we do not push them. We just give them enough to sell forward, so these are the things, which also will help me bring down my debtors. So this is one of the method this would help me, but along with this it would also we have been talking about channel financing, we have been talking about limited supplies to be distributed, we have been talking about getting them the right kind of an working capital into their books, so these things, which we have been trying to work upon, but in terms of guidelines right now since I would want to hold it back till the time another for next two quarters, but we are working on to it, I would not be able to give any particular guidance right now in terms of how do we reduce that.

Shiv Kumar: Right and the project post the second pilot that will be kind of a national rollout right, it is not like you will again do a region specific rollout?

Shashi Agarwal: No, so second pilot is a very area specific pilot again. Once we see that we test that in a stronger area and we are convinced with the result, then the rollout we will decide and plan accordingly whether we will go up with a Pan India rollout or it would be reason specific rollout, we will take a decision there. Right now we just want to see and understand how it will work for us in a stronger area.



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- Shiv Kumar:** Okay, I joined in a bit late, what has been the progress since the JV with Pepe?
- Shashi Agarwal:** Pepe, we have already launched the product in Southern India. This year we have achieved turnover of, because, we were late in terms of launching a product, which was slated to be done in July, we did it somewhere around October so the later half we have built a distribution channel already in the southern part of India, so it is Hyderabad, Chennai, Bengaluru, major cities we are there. We already have around 30+ distributors. We are planning to increase that number in Southern India. We are present in large format stores at Central, we are present in all the online channels, platforms, see here this has helped us get around a turnover of Rs.6 Crores and I would say that yes this year we are targeting around about 30 Crores with Northern India rollout and Southern India to be deep and across the Southern part of the country even going deeper just not limiting us as to the Tier 1 cities.
- Shiv Kumar:** What is your target for this year?
- Shashi Agarwal:** Rs.30 Crores topline.
- Shiv Kumar:** Shashi the tax rate for Q4 was on the lower side, is it kind of an aberration or how does one see this?
- Shashi Agarwal:** There are certain elements, which we have been working across and we found that there were certain benefits, which for the previous years, which we could have taken, can be taken, so that has been taken into account, so that has been accounted for in terms of the income tax is concerned.
- Shiv Kumar:** On a full year basis it will continue to be closer to 33%, 34% right?
- Shashi Agarwal:** As of now we will say that to be 33%, 34%.
- Shiv Kumar:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Nitiksha Shah from Anvil Share & Stock Broking. Please go ahead.
- Nitiksha Shah:** Actually, most of my questions have been answered, but I actually at the cost of repeating I just wanted to know what was the capital working base in FY2019 and versus FY2018, the networking capital days?
- Shashi Agarwal:** 170 days is my total working capital in terms of 2018-2019 as compared to 156 days previous year.



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- Nitiksha Shah:** Okay, in the case of debtors is it because of the competitive intensity that we have to go on giving credit that our debtors' days have further increased by 10 days?
- Shashi Agarwal:** No I did not say it is competitiveness because if you see the debtor days of the peer companies as well, they have gone high, it is not being competitive, it is about the flow of funds not being there in the books of the accounts of the distributor, everybody is facing that crisis and this is not applicable only to Dollar Industries or Hosiery Industries, this is across industry who have distribution channel and the distribution channels of which was unorganized before GST to get the availability of funds into their system.
- Nitiksha Shah:** Okay, so do we expect that this should improve during the year or we feel that we will have to continue with this kind of debtor days even during FY2020?
- Shashi Agarwal:** I would say this is a strain, which we are feeling and we at an economic level till the time there are such measures of something really comes up and people start improving, it is difficulty, but nonetheless we have been working on channel financing, we have been working on particular methods where we ensure that we have a small supply to distributors etc., certain methodologies, which we are working on, we are hopeful that we should be getting down the debtors days for ourselves.
- Nitiksha Shah:** Okay and one more thing, I just wanted to know how is the April and May kind of demand picking up, is there improvement or like how is the last two months panned out?
- Shashi Agarwal:** The demands are kind of okay, they have improved a little, but overall the economic level sale not very, very sluggish there, but we have invested heavily in terms of advertisement, we have invested in supplying schemes to the retailers last year, so we are hopeful that we should be able to get some traction out of that, we should get some positive result for this quarter.
- Nitiksha Shah:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Neha Jha from Edelweiss. Please go ahead.
- Neha Jha:** Thank you. Good evening to the entire management. Madam, my first question was on the working capital part. I think over the years we have mentioned that we have let gone distributors earlier who have extended our working capital or extended debtor cycle, but we see that the working capital has increased again and growth has come back, so going



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forward is that we plan to keep continue growing despite working capital keeping expanding or we are ready to let go growth going forward to curtail working capital?

Shashi Agarwal:

There has to be a balance in terms of the growth and letting your working capital cycle grow because if you really want to settle, it has been to in balance, you just cannot keep let go one all, keep the other one, so it is about the balance, but in all said and done, we do realize that the debtor days has been on a higher side. Inventory, as I told you it is little because of the year end and 90 days is normal for us, we are working in terms of the lead time to decreasing the lead time etc., so we should be able to get back that somewhat into a lower level, so that is not much of a concern. My concern has always been debtors. Inventory was, never concern it was within 90 days, but debtors has always been a concern. Looking at debtors I would say yes this is definitely a trade of which you need to do at some point, all said here, but we also trying to work in terms of a particular project, the pilot which I have been talking about, which helps us decrease our debtors days because here there are certain methodologies on which you work for us, which helps you bring down your number of days as concerned. It also helps to increase your revenue retail base etc. it also helps you increase your revenue, retail base, etc., so if we see that working properly and getting implemented pan India basis, I am we will see that numbers of days you know in terms of receivables they will come down.

Neha Jha:

Just want to know on this part that you mentioned about the liquidity in the channel being constraint, so are you relating this to GST itself because of the eviction of the liquidity is concerned or are there any other development of which this happened?

Sashi Agarwal:

Over the last two years whatever has happened has actually, GST is not liquidity constraint as per se, but it has forced the distributors to move from unorganized channel to an organized channel. That is basically creating liquidity squeeze in the system, but this is not about GST being there, but the way the business was conducted or done by these distributors before GST and post GST the way they are now forced to conduct the business, so yes, we have not been accustomed to this kind of share of business, which they are taking some time to accommodate and adjust to it, so GST per se is now as a result as you are doing the business differently is now creating the constant.

Neha Jha:

Absolutely, but say 20 months post the implementation of GST is it still that the market is adjusting and how much more time you think you will take before we can come back to the normal levels you believe?

Sashi Agarwal:

If you look at the business of all company, forget about the industry, take any example of any other company FMCG company or any other company for that matter may be Fliers,



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FMCG, etc., most of them carry big debtors days, the ones which we are working all these distribution channel was involved, which was unorganized and have moved into an organized segment, major challenge comes from them, it has looked very specific to me all or hosiery industries across.

Neha Jha: Fair enough, just one more question, when we are targeting 15% growth for the coming few years, just wanted to understand that out of the seven to eight brands we have, which brand you think we are going to drive, understand that Dollar Bigboss is the highest contribution in terms of 40% of revenues, but if you were to say give us a sense of which are brands, which will see growth will be higher in the 15% and other brands will go inline with this guidance?

Sashi Agarwal: Missy definitely one of them, which we have demonstrated as well, two years back when I started talking to you it was about 6%, today I stand at 8% around the 75 Crores it what we have gone in Missy, so the growth rate here is more than 15%, post next hopefully may be started at the same, definitely we see some certain traction there as well this year though it was not what we expected in the last year, but this year definitely should help us grow more than 15%. Bigboss again, if I have to look at the numbers it continues growing at 10% to 11% that is the reason because Champion is where we are seeing it is not going that as well, so all these growth are coming from my other brands itself, these growth is there because of the consolidation, which we are doing, Champion again the focus not being there as we have been talking about it, which we would take it up at a later stage, right now we do not want to open up everything and even a small portion comes from socks for us, socks which we will be doing, have also shown a good upward movement, so all these put together we definitely see that they will help us contribute get to a 15% target.

Neha Jha: One last question, are the debtor days very different for these brands or they are more or less similar?

Sashi Agarwal: Not really very different because the challenge for my Bigboss, Missy, Force Go Wear, Thermals, Comfort, etc., are all the same, is it that the Force NXT channels are little different where we are trying to drive lesser debtor days, so yes, Force NXT in a way I would say have a better realization, but number is so small I would not see that would help, or effect me in the overall debtor days, it is mainly coming from my non-Force NXT brands.

Neha Jha: Fair enough. Thank you so much. I will be back in the queue.



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- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Thank you for the opportunity. What is the rationale for cutting back on ad and promotions spends when Dollar is still in the mode of building brands like Missy, Force NXT, Force Go Wear?
- Sashi Agarwal:** Be little loud, I cannot hear you properly.
- Bhargav Buddhadev:** I am saying that what is the rationale for cutting back on ad and promotions spends when Dollar is still in the mode of building various brands like Missy, Force NXT, Force Go Wear?
- Sashi Agarwal:** Force Go Wear we are not building rather we are consolidating that one with the region the Force NXT and Bigboss. We are towards that. Yes, we are building on Missy and Force NXT and we do understand that we would need some spend there, so we will not be cutting back on I would say the advertisement expenditure there, but we will try to rationalize what is we are spending on Bigboss, so we see the margin in Bigboss for quite sometime being there that now we are seeing in the briefs that is one of the reasons, which we had to spend little more this year, but nonetheless if I need to maintain the balance between the briefs and the vests, can pull out some of them towards Missy as Force NXT, I think so we can very well do within 90 days.
- Bhargav Buddhadev:** So, right now what would be the percentage here ad spends on Bigboss?
- Sashi Agarwal:** Sorry.
- Bhargav Buddhadev:** Right now what would be ad spend, which would have incur on more Bigboss as a brand?
- Sashi Agarwal:** More than 60% to 70% is going to Bigboss.
- Bhargav Buddhadev:** So, you are saying going forward you are trying to rationalize this number?
- Sashi Agarwal:** Yes, after this, we will rationalize within the brands.
- Bhargav Buddhadev:** Secondly what would be share of outsourcing as of now and what is the plan going forward?
- Sashi Agarwal:** I would say share of outsourcing is still at 70% because the revenue from job works, which we used to do for others in our processing segment has come down by 50%, so we still have



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some scope left to utilize our processing units to the fullest, again, as far as the spinning is a concern there are certain scope there where we can utilize, we are not going to invest in terms any further capitalization. Major capitalization is happening. What we continue doing is repairs or some kind of upgradation or improvement, which is required, but no new addition as of now planned, outsourcing any additional revenue to be supported as a production to be supported will be out sourcing, so may be to 70:30 ratio could be there for another year or so, but post that you will see the outsourcing increasing and again, the captive production decreasing.

Bhargav Buddhadev: Lastly, you mentioned that the first pilot has been launched in a weaker market and second pilot will be sort of launched in a stronger, is it possible to share that wherein you are planning to launch the second pilot?

Sashi Agarwal: Hold on to the till time we have really done, we have started with it. As of now in the planning stage, so where we are your planning sitting on the join board and we are discussing with the team, things changes every time, every moment many factors come into play by while we are making a decision, so at the moment I will like to hold back on those details.

Bhargav Buddhadev: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Neerav Savai from JM Financial. Please go ahead.

Neerav Savai: I just wanted to get some sense on working capital requirement for large modern retailers, so large retail chains we have been supplying vis-à-vis the EBOs, which we do through distributors, so is the working capital higher on this side and what would be the difference?

Sashi Agarwal: If you can just repeat the question, I am sorry it is a little feeble here.

Neerav Savai: I am saying that we have been talking about increasing our spread for the national on pan India retailers, larger retailers, which is roughly about 2.5%, and we are planning to have add a lot of large retailers going forward, so what would be the kind of working capital requirements there when you compare this towards additional MBO kind of stores, which we supply through distributors?

Sashi Agarwal: Most of the large stores they prefer working on the sales on return basis, so we do not show the debtors till the time the sale has made, we are carrying the inventory at their side in the books of accounts, so which typically is around what I would say two to three months on an



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average and that every quarter again if whatever not get replenished, so it is basically from perspective 50 days to 90 days, 60 days is my credit, if I currently look at my debtors it is around 100 days, so last month much better was there, overall if the business stands into its space period, which is 60 days I think little stretched in our large format stores because you replenish whatever is there every quarter.

Neerav Savai: Another question was about the subcontracting expenses, which have gone down YOY in spite of this 9% topline growth, so can you just throw some light on that, it was 62 Crores previous year, and it is about 55 Crores this year?

Sashi Agarwal: The subcontracting charges is basically as I talked about the processing unit, there is one particular line item, breakup even if you see the detailed balance sheet you will see we have given breakup for on the revenue side that is what we do in my processing unit for the other people this spare capacity, which has come down to half, so basically most of the processing, which was done outside is now we are doing it ourselves for the captive consumption, so that helps me lower my subcontracting charges and get me some efficiency as well there.

Neerav Savai: You are saying the fabric, which you used to sell before is being used internally?

Sashi Agarwal: Yes, not only fabrics, we did many stages here if you had look at it, fabric component of the knitting section, so once we produce the fabrics, we send it to the processing houses for bleaching and dyeing that is another process here, so we have certain capacities in your processing houses to process those fabric, number yes, fabric I am using in house rather than selling most of it outside, those revenues have come down, my processing houses capacity, which was utilized for the job work charges outside is now getting utilized for the captive production, so all these put together is helping me lower my subcontracting charges and getting me efficiencies there.

Neerav Savai: So, going forward, we continue with this or it will be just one off for a quarter?

Sashi Agarwal: It will be there, these small, small capacities and efficiencies would keep building till the time I am utilizing everything in house and there would be again in terms of the spinning is concerned there might be trade off because you spread is 40 count, you need 60 count, you produce 50, you need 40 so these variation would be there, but as far as my fabric and my processing is concerned, I would want them to utilize 100% for captive production.

Neerav Savai: What would be the capex what we target for the next two years, is there any capex or it is, if you can just help us with the number?



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- Sashi Agarwal:** Normal repairs and maintenance for upgradation 5 Crores to 10 Crores per annum because I would not want to invest heavily on to my production capacity, it is very easy to get your captive outsourced environment in Tiruppur and Kolkata both places so rather than investing into my own captive units I would want get them produced outside, and a captive kind of environment where can control the quality and process everything.
- Neerav Savai:** And what would be investment behind Pepe for the next two years?
- Sashi Agarwal:** Sorry.
- Neerav Savai:** Investment behind the Pepe JV?
- Sashi Agarwal:** 7 Crores per annum. That is standard.
- Neerav Savai:** Alright, that is it from my side.
- Sashi Agarwal:** Sorry, 9 Crores per annum.
- Neerav Savai:** So, here it was lower right it was 3 Crores, right?
- Sashi Agarwal:** Four years, overall the investment has to be 36 Crores, till now we have just invested is 7 Crores.
- Neerav Savai:** You plan about 8 Crores and 9 Crores you said for the next three year then?
- Sashi Agarwal:** Yes, so overall we did not invest complete 9 Crores last year, so there is a spillover of 2 Crores from the last year, this year we are slated to investment 9 Crores so may be 2 Crores would be, if it require we have to fund in 11 Crores.
- Neerav Savai:** Sorry, I did not get, can you just repeat it?
- Sashi Agarwal:** It was 9 Crores for the four years in totality each person to invest 9 Crores per annum for four years. Last year we have invested only 7 Crores, we have still gap of 2 Crores, which was not invested in 2018-2019, that is the spillover here plus what needs to be invested this year is a 9 Crores, $9+2=11$, if the requirement need we have to invest 11 Crores this year.
- Neerav Savai:** Got it. Thank you, that is from my side.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to management for closing comments.



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Shashi Agarwal: I thank you all for joining the earnings call for us. We were happy to answer to your queries. I hope we answered them to your satisfaction. Have a good day.

Moderator: Thank you. On behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.