"Dollar Industries Limited
Q4 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY2021 earnings Conference Call of Dollar Industries Limited hosted by Elara Securities Private Limited. 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. Akhil Parekh from Elara Securities Private Limited. Thank you and over to you, Sir!

Akhil Parekh: Thanks Margaret. On behalf of Elara Securities, I would like to welcome you all to Q4 FY2021 conference call of Dollar Industries. From the management side, we have with us Mr. Vinod Gupta – Managing Director, Ms. Shashi Agarwal - Senior VP - Corporate Strategies and IR and Mr. Ankit Gupta - Chief Financial Officer. Without taking much time, I will hand it over to Mr. Vinod Gupta for the opening remarks and post which we can open the floor for Q&A session. Over to you Sir!

Vinod Gupta: Thank you Akhil. Good morning and I welcome everyone to this Q4 earning call of Dollar Industries Limited. I hope that you and all your loved ones are safe and healthy. We are going through exceptionally tough times right now. The second wave of the pandemic has hit us hard and is having larger and deadly impact than the first one. We need to fight this together by following the protocols as has been outlined by the Central Government. We pray for the speedy recovery of those who are battling the virus and also extend my heartfelt gratitude to all the Corona warriors who are standing up and working tirelessly making efforts to keep us safe. We all know that FY2020-FY2021, which has been a rough year for all of us and COVID-19 pandemic triggered global economic downturn. The global economy came to a standstill during this Q1 for the fiscal wherein everything was engulfed by lockdown. The economy started recovering from Q2 onwards. The economy had only started moving on the path to recovery where it was met with the second wave. The current situation has left us all in uncertain environment where we are trying to balance our life between pandemic and the work.

Efforts are being made to keep us moving with the minimum possible impact on the entire economy and entire working of the company as well. I am happy to announce that in spite of the adverse situation of the company, our adverse situation, the company has been able to record 30% growth for Q4 and 7% growth for the entire fiscal year. I must admit here that the pandemic has been instrumental in giving more legs to organize business at the cost of unorganized one. We are no exception to get this advantage. The company made all the endeavor to meet the demand for the innerwear, casual wear and continued supplies to its channel partners and the consumers. However, the company did experience degrowth in certain categories of the product like socks, leggings for women where the demand was muted due to the current pandemic situation.

During the year under review, the company has also succeeded in reducing in debtors by 13 days, reducing the total working capital cycle by 15 days all together. The company will continue with its effort to bring down its working capital cycle further in the current year. The company has put down stricter policies around its credit policies, which has been accepted by the channel partners. The joint efforts of the company and its channel partners will have to reduce the working capital cycle further.

The advertisement expenditure for the year 2020-2021 is around 79 Crores which is 7.5% of the total sales. By holistic look, the sale would reveal that out of this 79 Crores, approximately 50 Crores have been spent by the company during the year in branding only due to re-engineering exercise done by the company in total overhauling its brand architecture. It is a known fact and it was also made known to everyone during the past three quarters that the company has entered into a phase of rebranding, restructuring of its total brand, whatever the purchase for brand architecture which was put in place, the entire process of brand architecture was started way back in 2019-2020 year where, the entire logo of Dollar was also changed, and it was placed before the entire public at large only in the last year 2021.

Everyone is well aware that whenever there is a change for these brand architecture and the logo design, we will have to spend heavily to put it forward before the retailers network and the consumers so that everyone is now well averse with the entire logo change and they know that really a change has happened, because of this entire brand architecture and the logo redesign, we were forced to go in for that 360 degree exercise so that we reach out with the change to the retailers and the consumers in a big manner and because of that exercise, the company, I mean we had to spend around Rs.50 Crores for this rebranding going forward to the retailer and the consumers in 360 degrees so that everyone is well averse of this logo redesign and the brand architecture.

This 50 Crores rebranding expenditure, we incurred specially in 2021 as one-off expenditure for one of events where we had no option but to go with that. Out of that 50 Crores, 19 Crores were spent in Q4 only wherein all the 19 Crores amount we had spent, it was spent in the form of dealers boards and in-shop branding all together. We have tried to rationalize the advertisement expenditure and reallocation of budget in digital print and TV media has come in handy to meet all that demand. In a way to cap the advertisement expenditure at an absolute value rather than linked to the sales, the company has now allocated a budget of around 30 Crores to 40 Crores for advertising and around 20 Crores for branding during the current fiscal year.

Now moving onto the Joint Venture Pepe Jeans Innerfashion Private Limited; JV recorded a sale of 17 Crores as against a sale of 16 Crores in the year 2019-2020. The growth plan of the entire JV venture cannot be delivered as budgeted due to the pandemic situation making traveling and the movements restricted.

Now I shall handover to Ankit, our CFO to discuss the financial performance of the company. Thank you. Now, over to Ankit!

Ankit Gupta: Thank you Sir. Good morning and a warm welcome to everyone. Moving onto the financial performance; the company's total revenue for Q4 FY2021 and FY2021 stood at Rs.310.44 Crores and Rs.1,040.43 Crores as compared to Rs.240.52 Crores and Rs. 971.81 Crores for Q4 FY2020 and FY2020, a growth of 29% for Q4 FY2021 and 7% for FY2021.

The EBITDA of the company for Q4 FY2021 & FY2021 stood at Rs.33.24 Crores that is 10.71% and Rs. 141.56 Crores that is 13.61% as compared to Rs.24.21 Crores that is 10.07% and Rs. 109.29 Crores that is 11.25% for Q4 FY2020 and FY2020, a growth of 37% and 30% respectively.

The PBT for Q4 FY2021 and FY2021 stood at Rs. 27.07 Crores that is 8.72% and Rs. 117.30 Crores that is 11.27% as compared to Rs. 16.83 Crores that is 7% and 79.78 Crores that is 8.21% for Q4 FY2020 and FY2020, a growth of 61% and 47% for Q4 FY2021 and FY2021.

The PAT for the Q4 FY2021 and FY2021 stood at Rs. 19.44 Crores that is 6.26% and Rs. 87.51 Crores that is 8.41% as compared to Rs. 12.31 Crores that is 5.12% and Rs. 58.89 Crores that is 6.06% for Q4 FY2020 and FY2020, a growth of 58% and 49% for Q4 FY2021 and FY2021.

I am happy to share that the company has started showing improvement in its working capital cycle. For the year under review the debtor days stood at 120 days, inventory at 112 days and creditors at 46 days. Thus, a total of 186 days we saw a downtrend from 200 days and saw an improvement of overall 15 days. If we calculate the working capital cycle for 320 days of working removing the 45 days of lockdown in Q1, the debtor days will stand at 106 days, inventory at 98 days and creditors at 40 days adding up to 164 days. The cash flow of the company has improved during the period and there has been a positive cash generation from operating activities. Moreover, the company will continue with its effort to improve the working capital cycle further.

Now moving onto the brand wise contribution FY2021; Bigboss stood at 43%, Champion at 1%, Dollar Socks at 1%, Force Gowear 2%, Force Nxt 2%, Missy 8%, Regular 34%, Thermals 9%. In terms of product category, we saw that Athleisure did really very well this fiscal and contributed around 14% in our total sales.

Now a small update on the JV Company; the JV Company is working on expanding its distribution network pan India, which was slow in the previous year due to pandemic restrictions and movement restrictions. The total revenue of JV Company for FY2020-FY2021 stood at Rs. 17.18 Crores as compared to Rs. 16.36 Crores for FY2019-FY2020, a growth of 5% for FY2021. The loss from the joint venture for the FY2021 stood at Rs. 3.89 Crores as compared to Rs. 4.52 Crores for FY2020 with our share of loss being Rs. 1.96 Crores this year.

I now open the forum for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bhargav Buddhadev from Kotak. Please go ahead.

Bhargav Buddhadev: Good afternoon team. Is it possible to know what the volume growth is for the quarter and for the full year?

Shashi Agarwal: Sorry, Bhargav, you will just have to repeat the question again and the voice is not very clear.

Bhargav Buddhadev: I was saying, is it possible to know what is the volume growth for the quarter and for the full year?

Shashi Agarwal: We have experienced an 11% growth on a financial year basis that is the volume growth and 17% for the quarter.

Bhargav Buddhadev: 11% for the full year and 17% for the quarter, right?

Shashi Agarwal: Yes, that is correct Bhargav.

Bhargav Buddhadev: Okay. Secondly, is it possible to know what is the revenue of the yarn and dyeing business of yours because in your presentation I have seen that you also have revenues coming in from those two businesses?

Shashi Agarwal: Yes, absolutely, yarn and the spinning on which we are working across, the revenue is very minimal because majorly the yarn produced from the mill is also used for the captive consumption, some of the quantity is definitely sold across to the market at large, so that is a very minimal quantity Bhargav and right now I do not have it, the numbers very handy, we can get on one to one call to get that clarified.

Bhargav Buddhadev: But would it be less than I mean 7% to 8% of number is possible or much lower than that?

Shashi Agarwal: 7% to 8% is big number I would say. The number is much, much lower than that.

Bhargav Buddhadev: Lastly if you can highlight how your project under Vector Consultant is getting rolled out, if you can throw some light on that and that would be my last question?

Shashi Agarwal: Absolutely, we will be glad to take that question Bhargav. We have successfully started implementing the project Lakshya or the Theory of Constraint across five states that is Karnataka, Rajasthan, Gujarat, Maharashtra, and Telangana. Plan is for to start implementing or copy paste these whatever we have been talking about in the Northeast states somewhere in the next month once we have better movement possibilities are there and also in Andhra Pradesh, so these are the next two states, that is the seventh state, but I will just take Northeast as one from combination here. So, we will start then the implementation in the next month. If you look at the presentation which we have put across in terms of the project Lakshya, you will see that the number of distributors which were there previously when we started in the areas when we have already rolled out the project, in the sense that you will see that there is an increase in the numbers of distributors which we have appointed there as compared to what we were doing it previously. Similarly, like if I have to talk about Karnataka, there were 15 distributors previously, now we have currently 16 distributors in the allocated areas. Rajasthan, out of seven we have moved to 16 distributors, Maharashtra the 6 distributors we have increased it to 7, Gujarat where there were no distributors in the areas, we have appointed 6 distributors there. Similarly, in Telangana where there were no distributors in the areas which were vacant, we have appointed another two distributors, so this is the way we are identifying the white areas or the areas where we have little reach or no reach in those vicinities, geographical region, we have started appointing distributors. Now similarly, if we talk about the retail reach, now previously I would say that on an average depending on the states, the distributors would build anywhere between 75 to 100 or 125 retailers on an average because majorly their target was to push across the materials the wholesale model. When you see that currently when we have these accessibilities and the insights into the data that what we were billing to the retailers as we do not allow any kind of wholesale to be done, you will see that numbers have gone up drastically in terms of the retail reach, for example, in Karnataka the 15 distributors on an average 100 retailers we have from 1500 moved up to 3239 retailers. For Rajasthan, where we are taking again an average of 100 retailers build by the 7 distributors, from 700 we have moved up to 5,712 retailers. Maharashtra approximately 125 retailers were built by the distributors, we have moved up from 750 to 834. Gujarat, where we had no presence in those retail shops, we have again targeted another 951 retailers where we have built in that last fiscal. Telangana similarly again 351 retailers have been added to our portfolio. Then again, I would also like to talk about the range, we talked about the reach and range expansion, so this was the reach expansion which we are talking about. Now I would want to talk about my range expansion. So previously when we were billing around about 700 FG codes to our distributors or the distributors were actually selling 700 FG codes. In Karnataka, that number has gone up to 937, that means my range expansion is happening parallelly to my reach expansion in the market. Rajasthan 965 FG code being built by the distributors whereas currently have 1035 FG codes being built by them. When I say FG code, they do not include the color and the size combination, this is purely when I say that it is gym vest of a particular FG code, I exclude all the sizes small, large or the color combination there, so it is just typical FG code we are talking about. SKU expansion would be much, much higher. Maharashtra from 525 to 565, Gujarat from 288 FG codes, we have moved up to 446 FG codes, Telangana from 233 we have moved up to 255 FG codes. Basically, if I have to talk about Telangana this was the number of FG codes built by us Pan Telangana and now, we see that in that particular small locality where we had just two distributors, we have been able to bill 255 FG codes. Now moving onto just to say that how this has been working out is that the average what we have done is we have taken an average monthly sales because all these distributors have been rolled out at a different point of time, so getting summation of the numbers in terms of mismatch of the time period would not be possible, so what we have done is we have taken around I would say that average monthly sales pre rollout and post rollout, so you can see that they have been quite a jump in kind of an average monthly sales done to all these distributors, this is a primary sales we are talking about, so there we were having around about 65.42 lakhs approximately average monthly sales it has moved on to 109 Crores, 97 lakhs in Rajasthan has moved up to 1.41 Crores, 31 lakhs in Maharashtra has moved up to 51 lakhs, Gujarat 2 lakh has moved up to 22 lakhs, Telangana where this particular area had no primary sales being done, this has moved up to 8.51 lakhs. So, this is the basically I would say that is the trend which we have now, we can tell you these data because the sample size has gone bigger and our plan is to roll this out which include more and more states but unfortunately the current situation, the pandemic situation is far in reaching deadlier as we all know deadlier than the previous one, so we have in our mind the safety and security of our team on ground, so that is taking a slow space. It has not been moving into the speed and pace, which we would have wanted it to move. So, probably by now as we had discussed in previous calls also that we would have to close the Karnataka and Rajasthan states completely, this could not be done, the lockdowns, the restrictions and our priority to ensure that the team on ground are secured and safe has actually slowed down this project but we can see that this result are far in reaching for us and we are overwhelmed and delighted with the results that we are seeing on our way, so we are very, very hopeful that with the situation under control once we start at a full-fledged manner, we will get better results and it will show into a balance sheet & P/L

Bhargav Buddhadev: Thanks a lot for such an elaborate answer. Just one related question is that in your strongest market which is northeast, when do you plan to rollout the plant?

Shashi Agarwal: Which area you are talking about Bhargav?

Bhargav Buddhadev: The East and the North part of India?

Shashi Agarwal: East and North of the India right now, we are holding it back, Northeast we are doing as I told you that we are doing Northeast and Andhra Pradesh are next in line and probably we will right now concentrate more on southern part because as we see in our zonal chart that south is dipping a bit, it is gone by 7%, from 8% it has moved to 7%, we would want to concentrate on south first before moving to north and east.

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

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Good morning. Couple of questions; if you could please clarify what was the total advertisement in the marketing cost in FY2021 and out of that how much was one of you were discussing some 50 Crores to 60 Crores as one, so could you again quantify that and repeat that?

Ankit Gupta: The advertisement cost, for FY2021 was 78.55 Crores out of which 50 Crores have been spent by the company just for the branding exercise which was mainly due to the change in the brand architecture and the change of logo, so we had to make big impact in terms of awareness in the market because we do not want to confuse the consumer with the old logo and the new logo. The balance figure was for the advertisement like TVC coming out for the Bigboss and Missy and on the digital platform as well the hoardings and everything.

Ankit Babel: What are your targets for FY2022 in totality I mean the 78.55 versus how much you are targeting in this year?

Ankit Gupta: In FY2022 in totality we are targeting somewhere between 50 Crores to 60 Crores and out of which 30 Crores to 40 Crores would be for advertisement and 20 Crores will be for purely branding purpose.

Ankit Babel: I mean the branding for the logo purpose continuation, right?

Ankit Gupta: Right.

Ankit Babel: Okay. Sir my second question is that you have guided for a networking capital of around 130 days for FY2021, in your Q2 concall but when I am looking at the business, you actually ended up with 185 days of networking capital, so what is the reason for the same and what are your targets for FY2022 end in terms of networking capital?

Ankit Gupta: Overall this FY2021, we have reduced our working capital days by 15 days and I think what you are talking about is that time what we had said was mainly we took into account, so when we had our call, we deducted the total number of selling period by 45 days which was under lockdown, I think that was the gap that you are talking about and if you take 320 days as our selling period, our working capital cycle is around 164 days as opposed to 201 days last year but taking full year like 365 days as a whole, currently our working capital days 186 days, so we see an improvement of around 15 days over there. Going ahead in this fiscal also will try to reduce our total days by around 15 days to 20 days, that is the target that we have taken internally also, and we are quite hopeful that we will be able to achieve this reduction.

Ankit Babel: Okay and what kind of revenue growth and operating margins you are targeting for this fiscal?

Ankit Gupta: For FY2022 since these second wave has hit us very hard and there is a pan India, all the states are calling lockdown since first week of April, the lockdown process has been started in different parts of

India, so I will not say that we will be able to do very well in Q1 but overall on FY2022, what we foresee is that we will be able to achieve around 13% to 15% growth in our sales and margin will see an improvement of around 152 to 200 basis points.

Ankit Babel: So around15% margin is possible this year, right?

Ankit Gupta: Yes, that is what we have taken a target internally and we are hopeful to achieve that.

Ankit Babel: In spite of higher raw material prices, you believe that you will be able to pass it on?

Ankit Gupta: All the raw material or the input price hike that has happened since the month of October-November, all the cost have mitigated to the channel partners and the consumers at an appropriate time and currently like all the input price hike has been forwarded to the channel partners and all the price hikes the company has taken all the price hikes, so currently in the month of April also the company took a price hike to match the input cost.

Shashi Agarwal: I would also like to mention here Ankit that is if you look at our results this year that you will see that there has been improvement of 2% into our gross margin, that been possible because these has been efficiently booked in and the materials which we have the raw material at the older price has helped us to get those hikes here, that jump in the gross margin. So, we are very, very hopeful that we can manage this because this we have managed this in times when it was really very crucial, the price hikes started right from November and it was absolutely at a very upper trend till March, just went down for some time but again started rising, so we have been able to manage our situation in such a tough times and I am sure we will be able to do it further as well. So EBITDA margin at 15% as a guidance we do not see tough because we have also capped we are very, very cognizant of the fact that we need to work onto advertisement expenses and also take into account the other expenses which are there as an fixed expense and if we are trying to reach 1200 Crores there would be some economies of scale coming from the fixed expenses as well, so all these things put together 15% EBITDA should not be a big challenge for us to work there because we are already sitting around near to 14%.

Ankit Babel: Thank you so much.

Moderator: Thank you. The next question is from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

Arun Kejriwal: Good afternoon everyone. Thanks for taking my question. We had witnessed after the onset of the pandemic that a lot of these consumer products has been sold online, what has been our experience and what kind of sales have we realized from the online channels for the year 2021 and particularly Q4 of 2021?

Ankit Gupta: Our online sales have grown by almost 2x for FY2021. We saw very good demand coming in from the online platforms like Amazon, Flipkart, Myntra and the total percentage of sales coming from online was around 2.25% in this particular fiscal FY2021.

Arun Kejriwal: Okay, and in Q4 what would it be?

Ankit Gupta: Sorry?

Arun Kejriwal: Q4 what would be the number?

Ankit Gupta: Q4 it has been in line with what we saw in Q2 and Q3 in our online sales. So, earlier our online sales used to be around 1.5% of our total sales, but this particular fiscal FY2021 the contribution was around 2.25%.

Shashi Agarwal: Volume if I have to put it across, probably I had in 19 lakh pieces being sold in 2019–2020 which was a combination of my large format stores and my e-commerce platform whereas this particular year I would say I have sold more than 18 lakh pieces just on the e-commerce platform itself.

Arun Kejriwal: Thanks for that. My second Arun would be, cotton yarn prices have gone up significantly, and you are a backward integrated player producing your own yarn. What kind of efficiency has that given you in your cost of raw materials if I could ask?

Shashi Agarwal: So, Arun actually the very right question, see margin, if you take at the gross margin at our company level for the entire fiscal of 2021 and 2020, you will see that we have a jump of round about 2% in terms of our gross margin is concerned. So, since we have to buy cotton, we have to have this stock of cotton as well to produce the yarn and accordingly our much more, I would say we are ahead of the entire industry in terms of understanding how it would flare, the yarn prices are going forward. Taking this into account and the production which we are doing at our end has given an edge over us over the competitors and we want to continue doing that so that we can get more efficiencies out here, so efficiencies can be built in, in terms in-house production as there. So, we get into a better negotiation in terms with our vendors as well.

Arun Kejriwal: Yes, and if I could just squeeze in a small question any guidance that you would like to share for growth in 2021–2022 in terms of your topline?

Ankit Gupta: Yes, for FY2022 what we are targeting is we see a growth of around 13% to 15%.

Arun Kejriwal: Okay, thanks a lot. Thank you.

Moderator: Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: Good morning everybody. Madam, if you could please give me the growth in various segments like economy, mid premium, premium, thermals, and women's segments?

Shashi Agarwal: Yes Shalini, in terms of the Bigboss, which is a mid-premium brand for us, if we talk that way in Men's segment, the overall growth has been 9% for us. If I talk about my premium segment that is Force Nxt, I have seen a growth of round about 19% here and the best part out here in Force Nxt is which is the premium segment for us again is like we have sold more number of Athleisure pieces than the inner wear, that the Athleisure has been very well accepted in the market and is having a growing demand there. If I have to talk about my regular i.e., economy segment, I have seen a growth of round about 18% in terms of my regular that is majorly the innerwear for Men's at lower categories that the range is somewhere between Rs.50 to Rs.100, we start to sell Rs.60 on with that the MRP level. If I talk about Missy that is my Women's brand, Women innerwear segments and the leggings, the bottomwear, here unfortunately as we already our MD Sir, highlighted in the opening statement that the leggings have been seeing a muted demand because the Women's are not going much in for shopping here now, so you will see a negative growth of 10% out here. But that is majorly because of low demand in the leg wears, if we put that up we will see that going forward we are very confident to get this and garner this as well. Thermals, we have seen a growth of 13% in terms of at an overall level it forms 9% up to my total sales by chart, so that has been good here as well now.

Shalini Gupta: Okay, and Madam, lot of your competitors have said that the reason for the strong growth is that there has been movement from unorganized to the organized sector, are you also experiencing something like that, because the unorganized sector lot of the players have shut down during the COVID times?

Shashi Agarwal: That is true Shalini. So current situation has made it very difficult for small players to operate and work and produce in the similar fashion which they were doing it before COVID was there. Currently, getting labours, continuing with the expenditure they have to incur with the continued production and having a team to set it up and even than getting once the products are produced, they have to transport and put it across to the distributors. The entire channel is much more difficult to them as compared to the organized players. So, right now we definitely see a vacuum on the sales of the retailers, so we are trying to garner that space and probably you will see we have not only had a growth in terms of value, but we have also seen a volume growth in my economy segment. So, that is something very good for us, but once we can occupy this vacuum and is created by the unorganized segment, we want to continue occupying this space going further.

Shalini Gupta: Okay, and Madam, my last question, what is the average selling price and what has been the increase in the average selling price, YoY increase?

Shashi Agarwal: I would say my average selling price on quarter basis has increase around about 7% to 8% here, because we have taken a price hike in the quarters, but at an yearly level if I talk about there has not been much of increase in selling price, previously I was round about Rs.58 ASP on the fiscal level whereas currently I am round about Rs.57 at a fiscal level.

Shalini Gupta: So, you have declined in ASP?

Shashi Agarwal: In fiscal level yes definitely, we declined because of the discounts and schemes offered to the consumers, retailers and to the distributors, so the entire channel partners the discount has increased by a percent out here and that is the reason you will see that decline in my ASP as well. I will tell you here, one you question here is that there has been also being a shift in terms of my product mix, like for Missy my leggings have gone down, so my ASP has decreased there. For my regular items, even there my mix has gone more towards the lower selling items than to the high price items. So, the product mix has also contributed to my decline in the ASP here.

Shalini Gupta: Madam, then what is your outlook?

Shashi Agarwal: The outlook for the topline growth for the next year is 13% to 15%.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

Devanshu Bansal: Thanks for taking my question. We have taken a higher price hike I guess versus peers in the premium category. So firstly, on a like-to-like basis what is the price hike that we have taken and do you think this would have resulted into decrease in the price gap of our products with the premium categories and does that propel customers to go for premium players?

Shashi Agarwal: What I would like to Devanshu, before I start like overall basis if I have to say that my price hike has been at around 5% first for my premium categories of product like-to-like in terms of I do not know whom you are trying to work out here, but as far the players are concerned…

Devansh Bansal: No Madam, I wanted like for value products what is the price increase we have taken, for Bigboss as in like-to-like what is the price hike that we have taken?

Shashi Agarwal: As I have told you Bigboss, Fore Nxt is round about 5% we have taken a price hike around 5% the MRP has also been increased, the retail price levels and the distributor price levels, all the hikes have been distributed among the three.

Devansh Bansal: But you indicated 29% growth for Q4 and 17% volume growth, so in a sense this 12% is more of revenue mix change as well?

Shashi Agarwal: Yes, absolutely. Because as Mr. Ankit Gupta highlighted in the beginning that Athleisure has contributed round about 14% at the company level from all the different categories of products are concerned, so Bigboss Athleisure, Force Nxt Athleisure, Athleisure in the Women's segment, Athleisure in the regular segment, they are all high price products, so that increase has come from there. My product mix increase has contributed as well as pulled me down both depending on the category, we are talking about we have held de-growth. So, my ASP has increased also in my Bigboss segment, Force Nxt segment, they have increased the ASPs.

Devansh Bansal: Okay, lastly the premium player has also suggested entry into rural India with a separate line of products. So, is this product already in the market and how do you see this product impacting us?

Shashi Agarwal: Again, Athleisure we have introduced just last year itself, so these products have been entering both the urban and the rural market and with the current situation in terms of work from home scenarios where people are mostly dressed in casual attires that is something to relax form of working, they are required for the relaxed form of working from home, that is something is having a far and greater reach and rise right now and innerwears having that is an essential wear again, you need to have where irrespective of your place of work. So, those are again penetrating we had far and greater reach in terms of the rural areas are concerned. So, for us the market is just more about expanding the retail reach which we are doing through our project Lakshya where we are trying to increase our reach and range at a deeper and at a pincode level, I would say trying to positive.

Devansh Bansal: Madam, I get that, but my question was specifically to Page industries indicating a separate line of products for the rural India. So, how do you see that line of products impacting us?

Shashi Agarwal: I do understand that they would be a competition for us, but right now we would wait for the markets to react to that because for that they would really have to, their payments are stricter as compared to other companies and they are already playing in the market and the availability of cash and relationship which we have with created our distributors along in the entire rural areas is something it would required to have to established for them. Though, the brand establishments is already there but again let us see how the market and the consumers react to that and we would be prepared for that to take it over. We are also preparing ourselves in terms of having the right kind of product at a right price for the retail and the rural areas.

Devansh Bansal: Okay, thank you, Madam. That is it from my side.

Moderator: Thank you. The next question is from the line of Arun Poojari from Cashinvolve Research. Please go ahead.

Arun Poojari: My question is primarily on receivables, so just wanted to ask three things. During pandemic how have you seen the portfolio of receivables treating, was there any write of or how do you treat is there a change on receivables that has happened, that is one. The second part is you mentioned about 15 days to 20 days reduction in receivables now, in compliant if I look at the project Lakshya we feel the scope of reduction receivables could be much more if the financer could be introduced, I think last time you had mentioned about financer being introduced and receivables coming down drastically. So, is this the receivable project has been taken up seriously at a senior level, where in some hard numbers, like 15 numbers to 20 numbers looks broad, but some specific numbers of distributors and the timeframe has been discussed so that receivables in align with the pandemic is being addressed on a very serious and far footing manner?

Shashi Agarwal: Right Arun. I will start with your first question that have we taken any write offs during this pandemic situation? Arun, as we are working on an agent model where they act as an Delkhadri that is their assurance through our debtors, we do not have any write offs in our books, these any bad debts, if any, first of all we do not have any bad debts but if any we have is contributed or way to go by the agent in-charge of that particular state. So, the company books you will see there will be no write offs. There is only a provision created as for the guidelines of the government but write off would not be there number one. Number two, as you had mentioned that, as the senior management involved in terms of making sure that the payments are realized regularly, we talked about the channel financing part that has been taken up seriously, yes the senior management right starting from our MD and the joint MD who is ensuring that entire sales and collection part is being monitored under the direct supervision of them as a personal interest in realization of the debtors and reducing their working capital cycles. As we speak, I will tell you why we could see these improvements is because of the close monitoring put in by the MD and the joint MD we have in the company taking care of the sales. More so ever the project Lakshya how it really helps us to reduce our working capital cycle is, see once you have seen the potential, once the distributor sees the potential in terms of reach and range and the number of retailers he is serving and the kind of orders he is receiving on a daily basis he does not want to look loose that sales, for him that is the sales loss which he can see, previously these sales could not be seen by them. So, here if they do not make timely payments, the company stops the supply to these distributors.

Arun Poojari: Madam, I have just one question on this, does this model contradicting that something which a company wants to achieve, like quite number of Delkhadri agents which is an assurance model does that give us an impetus to really go from reducing your receivable, because reducing the receivables would also mean taking a hit on the sales, that is one and the second part is maybe with the Lakshya model where the new distributors and the final penetration is happening and if you really push and that is what I understand it is happening, but you really push the financing angle to it, so all your credit can get converted to cash sales so that is the second point which I am coming in. so, these are only two points which I have, Madam?

Shashi Agarwal: Okay, from the first point that Delkhadri which you see, definitely it is not contradicting. I will tell you why because agencies also sitting on viability. If the number of days goes on increasing for a distributor he is also exposed to a risk, whereas if he makes a faster conviction his risk also reduces drastically. Today, whatever interest cost would be arising out of beyond a particular point that would also be going to into his account, so he would make sure that the payment has to be done at a speedy level, realization has to also increase. More so ever, when we are talking about the Lakshya distribution as, as well the other distribution models, we are appointing new distributors wherein where from the day one we have been stricter in terms of credit policies are concerned, credit days are concerned. Those heads are reduced our debtor days as well, so point of Delkhadri is there that they do not want to increase their liability and they do not want to expose themselves to a greater risk, so speedy recovery also is in their favour. Coming to Lakshya model as well, here when we are talking about that they are losing the cash, basically when they can see that they do not have the stock, because the company does not provide the stock to them beyond a particular number of days when the receivables have gone very high they are losing that sales and that is something which we can see, which we will see those distributors will more even to see them. So, here they would again want to make the payments and a faster payment, and to top it up the realization for them as Lakshya distributors have been far greater than the people into the normal trade. So, for them it really makes sense to pass on the realization to the company and reduce the debtor days. So, here always these two parameters put together is helping the company to reduce the receivables and again as I said that it is a tough management focus and priority is to reduce the working capital cycle this is taking a top priority in the company ensuring that we do not take a hit on our sales. Because as we are talking about we are appointing new distributors, we are expanding our retail and range reach which is having a far more reaching affect in terms of this being possible like I can understand you would have that fear in the mind that this would take a direct hit in terms of the sales are concerned, but as we spoke about the numbers which we have seen in our slide presentation in Lakshya as well that this is not going to take us down rather we would see a map ahead in terms of growth is concerned.

Arun Poojari: Thank you, Madam. Hope to see Madam, 50 days to 20 days of receivable coming down to 15 days to 20 days. Thank you.

Shashi Agarwal: Thank you very much. The company is working on to it and we are confident that we will be able to do that.

Moderator: Thank you. The next question is from the line of Tanay Nangalia from Tusk Investments. Please go ahead.

Tanay Nangalia: Thank you for the opportunity. I had one question like, Madam you had initially said that on a quarter-on-quarter basis there has been a volume increase, right if I am not wrong?

Shashi Agarwal: Quarter-on-quarter basis just give me a sec, I would say, you please continue with your question I will check the answers.

Tanay Nangalia: Yes, so Madam, and secondly the yarn prices have gone up but as I could see the revenue of the company has declined quarter-on-quarter, so could you please through some light on it?

Shashi Agarwal: So, your question is the volume has increased for the company on quarter-on-quarter basis whereas the revenue has declined?

Tanay Nangalia: Yes, there is a decline in the revenue, so I wanted to understand like could you just through some lights where have we taken a hit in the revenue?

Shashi Agarwal: I would say in the last quarter's we have majorly sold the Thermals and the Athleisure in the last quarter which highest ASP is selling item.

Tanay Nangalia: So, is there an ASP decline quarter-on-quarter?

Ankit Gupta: In terms of volume on quarter-on-quarter basis there was an increase in the volume but in terms of amount there was a decline due to the reason that in the month January we had changed some of our scheme structure, earlier the retail scheme which was there till Q3 which used to come in other expenses as a selling and distribution expense is now being netted off with the sales in the topline. So, that is why you are seeing a decrease in the amount part but overall, when we talk about volume there was an increase.

Tanay Nangalia: Thanks a lot. Sir, I have another question, like as I could see there is a decline in the PBT margins also and like we had earlier discussed in the concall today only, that we are backward integrated and we have a very good knowledge of yarn prices, so could please say like where have we taken a hit in our margins?

Ankit Gupta: In Q4 our PBT has declined due to the only reasons that our advertisement costs were really high, the schemes that we give in the market in the last quarter like a target completion or incentives that we give it to our distributors that was high. Generally like if you see Q4 last year also, we had spent around Rs.6.5 Crores in advertisement, but this year in Q4 we spent around Rs.25.78 Crores in advertisement cost it was mainly because of the branding exercise we had to do due to our logo change and the brand architecture change that is the only reason why our PBT was lower than Q3.

Tanay Nangalia: That is where the margins have been incur a bit because of the advertisement restructuring expenses?

Ankit Gupta: Right.

Tanay Nangalia: That is it from side. All the best for your future. Thank you.

Moderator: Thank you. The next question is from the line of Tanay Jhaveri from JNJ Holdings. Please go ahead.

Tanay Jhaveri: Sir, thank you for this opportunity. I had two questions, one is on the subcontract expenses, if I see quarter-on-quarter and that of shot up can you just through light on that, please?

Ankit Gupta: So, our subcontracting expenses were around 20% on a yearly basis which last year also was around 19%-odd. This is not much increase but there was an increase stitching prices and some processing prices due to which our overall cost increased in subcontracting expense.

Tanay Jhaveri: Sir, actually if I see your Q3 it was about 19% and Q4 it is around 22% I am comparing QoQ, please?

Ankit Gupta: Q3 is a bit lighter in terms of production because from Q4 itself again the thermal production starts, because Q2 and Q3 cease the sale of thermal products, so the production starts from Q4 itself and in Q3 there is no production of thermals as such which is a higher costing product.

Tanay Jhaveri: My second question is in terms of Vector Consulting, how do see the milestone over a three year – five years period of time in terms of effect to the P&L as well as balance sheet, if you can just through some light on that?

Shashi Agarwal: For Vector Consulting, we already have completed two years this is third year in running and we have renewed that contract, you will see these expenses coming for orders till December and post that we will take a call how to continue with them or not. Part of it is the entire last year and even the current year we have been slowed down due to pandemic 45 days there and even after the 45 days of the complete lockdown, even if the working this start on a partial level it was very difficult for the entire team to travel and to make movements, the retail shops were opened in some states, some states are still under complete lockdown position. So, all these things have actually slowed down our complete the project, the milestone which we had previously targeted like completion of my Maharashtra and Karnataka by March we could not do that. Starting many more states by March we could not do that; we are currently sitting on only on five states two furthermore in states. All these things have been slowed down with the current pandemic situation. So, the milestones which we were working across on, we are nowhere near there. We are hoping in playing that yes, we should be able to work this out but rather that physically if we are not able to be on the ground we are trying to work on to our back end in terms of IT is concerned ensuring that my DNS, ARS, also that distribution management system, auto replenishment system, my sales field automation system, these things are working in alignment and they are going hitch free and glitch free. So, the back end is which we are trying to work upon, we are also trying to work upon our supply chain alignment is concerned so that we can take that ahead. So, instead of facing this period we are trying to utilize that for the benefit of company in the back end or the IT and the other stuff. Yes, sales part we are still slow, we are slower than what we expected.

Tanay Jhaveri: To understand how do you look going forward where do you see this affecting the balance sheet or the P&L in what way, say what are your targets in terms of improvement in EBITDA or improvement in the ROA, just trying to understand from that perspective?

Shashi Agarwal: As we said that the improvement for this current year we are targeting at 13% to 15% of growth is concerned in the topline. EBITDA is another by 200 basis points we are targeting this year that is something we are looking forward to. Working capital is again 15 days to 20 days is the improvement which we are targeting here at an overall basis. So, this is just right now for us talk ahead in terms of five years, is little to it could be far fetching because current situation of pandemic where we do not know where we are talking about it third wave to be there. We really should not be focusing on the five years, yes but on overall company level if I have to say five year we definitely want to double our revenue is concerned. That is the annual target, but again as having said that right now we are just working on a one-year guidance and the budget which we have currently built in for us is the targets that the company has set for the team, the entire management starting from the MD to the entire team on the ground is concerned these are the numbers which we are looking at.

Tanay Jhaveri: Thank you very much.

Moderator: Thank you. The next question is from the line of Sandeep Kumar Maniyar from Wisecor Services. Please go ahead.

Sandeep K Maniyar: Good afternoon and thank you for taking my question. I have question on channel financing. I want to know what percentage of distributors are under the channel financing at the moment and since past two to three years it has been mentioned that the company has been working with the leading banks like State Bank of India and ICICI, and also, I want to know that since the peers in the segments are already successfully brought their receivables down under control through channel financing model. So, I want to understand that what is the companies plan and the reason?

Shashi Agarwal: Sir, I would not be able to give in terms of percentage, because the channel financing has not been widely accepted by my distributors. Again, they have the numbers as we have been talking about it is about 5 to10 distributors who are on board in terms of channel financing is concerned, number one. In terms of my peer company, I will not be able to comment on to their workings are concerned but yes, the company here what are the efforts we are trying to make in terms of taking that ahead I can talk about that. So, here to ensure that there is no loss for my distributors we are also offering them additional discounts in terms of suppose in channel financing the company realizes the payment on day one so that is the additional benefit that should flow into the distributors which the company is offering them. How long will it take to convert them but I would say that it should not take much of the time because it has been long time we have been talking about it, they are now compelled with the current pandemic situation as is they have understood and seen the benefits arising out of it. So, we are expecting this word of mouth to spread like fire now and we should see some big numbers coming in by the end of this fiscal which would impact our balance sheet and give us better understanding in terms of working capital cycle is concerned. So, that is what the expectation of the company and that is what the company is working on.

Sandeep K Maniyar: Thank you. Thank you on our best wishes.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference over to Mr. Akhil Parekh for closing comments.

Akhil Parekh: Thanks Margaret. On behalf of Elara Securities, I would like to thank the management of Dollar Industries for answering all the questions very patiently. Thanks a lot. Madam, any closing remarks you can please go ahead.

Shashi Agarwal: Thank you everyone. Thank you for joining in our call and I hope the management of Dollar Industries, has been able to answer all your questions and hope all your queries have been satisfied. During this pandemic situation I would wish everyone to stay safe and stay secured. Thank you.

Moderator: Thank you. On behalf of Elara Securities that concludes the conference. Thank you for joining us. You may now disconnect your lines.