"Dollar Industries Limited
Q2 FY2021 Earnings Conference Call"

November 10, 2020

ANALYST: **MR. AKHIL PAREKH - ELARA SECURITIES**

MANAGEMENT: **MR. VINOD KUMAR GUPTA – MANAGING DIRECTOR – DOLLAR INDUSTRIES LIMITED**
MS. SHASHI AGARWAL – SENIOR VICE PRESIDENT (CORPORATE STRATEGY & INVESTOR RELATIONS) - DOLLAR INDUSTRIES LIMITED
MR. ANKIT GUPTA – CHIEF FINANCIAL OFFICER - DOLLAR INDUSTRIES LIMITED

Moderator: Ladies and Gentlemen, good day and welcome to Dollar Industries Limited Q2 FY2021 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in 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, Steven. On behalf of Elara Securities, I welcome you all Q2 FY2021 Conference Call for Dollar Industries, also wish all of you a happy Diwali in Advance. From the management side for Dollar we have with us Mr. Vinod Kumar Gupta – Managing Director; Ms. Shashi Agarwal – Senior VP (Corporate Strategy & IR); and Mr. Ankit Gupta – Chief Financial Officer. Not take much time I will hand it over the call to the management of Dollar Industry for the opening remarks post which we will open the floor for Q&A session. Over to you Sir!

Vinod Kumar Gupta: Good Afternoon everyone and a very warm welcome in the earning call for Q2 FY2021 of Dollar Industries Limited. As we know everyone knows that the Indian economy has entered into high offering trades where everything is gradually and slowly returning to normalcy. In spite of it we beginning to resume our normal life we have relatively experienced complete normal lifestyle as pre-COVID times and we are still getting the vaccine for Coronavirus. Social distancing and safety maintenance almost for everyone, a lot has changed during the pandemic and this pandemic has brought changes and shifts in consumer choices and their behavior We have started observing a new way of going and conducting business. We have seen changes in way the people travel, dieting habits, avail medical facilities by socialized study and everything has undergone a sea change. One of the major shifts in the behavior of consumer is the adoption of e-commerce. Today the consumer has started buying grocery online, taking medical consultations online, the education has also moved to online platforms. We are also observing that the consumers have shifted to online platforms for buying the inner wear as well. This change in consumer behavior has got a spike in online sales of the company. We have seen an increase of 44% in online sales for H1 FY2021 on year-on-year basis. Looking at the current trend the company has geared up for the spike and look forward to increasing online sales at 2x on full year basis. With every adversity comes new challenges and opportunities, we at Dollar Industries Limited also believe these can create the opportunities by working on the innovations. The company in the last quarter had introduced anti-viral range of products. The anti-viral Dollar product range is well accepted in the market and by the consumer enhanced gain popularity. The newly introduced Athleisure range has also grown up to 11% of the product category mix. We will continue with our endeavor to ensure that we will change and adapt to the consumer needs and demands and their behavior constantly.

In today's world where everybody is looking to cleaner and greener environment, we need to minimize our carbon footprint and we at Dollar Industries limited have always believed in green vision. The zero-discharge water treatment plant to recycle and use wastewater from the facilities one of the examples in helping building a clean and green environment.

The company has already invested in windmill energy that helps us get the power in a cleaner and greener way and also at the reduced cost. In continuation of the effort the company has commissioned a 4-megawatt solar plant in Tamil Nadu near our spinning mill with a capacity of generating 75 lakh power units annually. This power plant will help crossing CO2 emission by 9000 kg a day with a sustainable environment. The power generator will be utilized in the spinning unit and any excess power will be utilized in the dyeing unit. This will help us to reduce our power cost in the spinning unit by 50%. The total investment into this solar plant is approximately 18 Crores it was funded through our internal accruals.

Moving to the current status of project Lakshya, which the company started with Vector Consultant to implement TOC. The company has started appointed distributors in the area where previously the reach was not through direct channel. We have started serving retailers through our newly appointed distributors in Karnataka and Rajasthan where our presence was either zero or negligible through the set of new distributors appointed under project Lakshya. After successful implement in both the states the company has started the rollout now in the states of Maharashtra, Gujarat and Telangana. The project was slowdown during the lockdown period; however, we have accelerated the process now and targeting our focus and energy on the successful circulation of the project.

I shall also take immense pleasure to share with you the good work the team has been doing in generating free operating cash flow of 106 Crores this is the highest in the last five years as compared to 53 Crores in the last financial year. This was achievable due to implementation of strict and a stringent trade policy. The company is confident that it will be able to continue with the same policies going forward and this will help the company in generating free operating cash flow. The free cash flow generated has been used for repayment of the debt to the tune of 100 Crores in H1. The goal of the company is to become debt free by the end of FY2021-2022, which will also help us reduce our finance cost as well to the reasonable level.

I would also want to touch upon the last point, which we are ending with the financial review. As already pointed above we have been strict with our credit policies, with our debtors, which has the positive impact on the working capital cycle. The debtor days and inventory days have improved and if you calculate them considering the fact that the company was operational only 135 days of the first six months. The net working capital cycle is calculated on that basis will be around 169 days; however, on six-month basis we will see an improvement in the numbers. The company continues with its endeavor and its confidence on reducing in debtors to 90 days by the end of this fiscal. This is all from my side and I shall now hand over to Ankit to talk to you about the financial performance of the company this quarter. Thank you.

Ankit Gupta: Thank you Sir. Good afternoon everyone. The company's total revenue for Q2 FY2021, on H1 FY2021 stood at Rs.258.98 Crores and Rs.419.16 Crores as compared to Rs.243.76 Crores and 477.71 Crores for Q2 FY2020 and H1 FY2020, so we see a growth of 6.24% for Q2 FY2021, but we see a degrowth of 12.26% for H1 FY2021. This is mainly due to the 45 days to 50 days of non-operation due to lockdown. The EBITDA of the company for Q2 FY2021 & H1 FY2021 stood at Rs.35.67 Crores that is 13.77% and 64.50 Crores that is 15.39% as compared to Rs.23.82 Crores that is 9.77% and Rs.51.13 Crores that is 10.7%, so we see a growth of 49.75% on Q2 basis and on H1 basis we see a growth of 26.15% in EBITDA levels. The PBT for Q2 FY2021 and H1 FY2021 stood at 29.93 Crores that is 11.56% and Rs.51.97 Crores that is 12.4% as compared to 16.37 Crores that is 6.7% and 36.33 Crores that is 7.61% for Q2 FY2020 and H1 FY2020. We saw a growth of 82.83% in Q2 FY2021 and on half yearly basis we saw a growth of 43.04%. Now coming to the PAT level, Q2 FY2021 we stood at 23.39 Crores that is 9.03% and on H1 2021 we stood at 39.69 Crores that is 9.47% as compared to 13.95 crores i.e 5.72% last year Q2 and 27 crores for H1FY20 i.e 5.65%. We see a growth of 67.67% on Q2 basis and on H1 basis we see a 47% growth.

Now moving to working capital before I start, I would like to mention that the company was in operation for 135 days as initial 45 days was under complete lockdown where no operations happened. If you look at the working capital cycle on the basis of 135 days of operations so the working capital would seen lower but on apple-to-apple comparison like taking 180 days as a whole, it would be somewhat similar levels. The debtors as on September 30, 2020 stood at 336.92 Crores, which is approximately 150 days, but on 135 days basis it is 112 days as compared to 133 days as on March 31, 2020. The inventory as on September 30, 2020 stood at 293.02 Crores that is 128 days, if you see on 135 days basis it is 96 days as compared to 118 days as on March 31, 2020. The creditors as on September 30, 2020 stood at 126.42 Crores, which is 53 days, but on 135 days basis it is coming to 40 days as compared to 50 days, which stood at March 31, 2020, so the total working capital cycle stands at 225 days if you see 180 days as the complete timeframe, but on 135 days basis it is 169 days as compared to 201 days it stood at March 31, 2020. The company will continue its endeavor to reduce the debtor days by working with its distribution networks and working on stringent credit policies as also highlighted by our MD Sir and we are sure that we will be able to further trim our working capital cycle.

Now moving on to the revenue breakup Q2 FY2021 on half-yearly basis as well, so in Q2 BigBoss stood at 40%, but on half yearly basis it stood at 41%, the Socks is at a similar level for Q2 and half-yearly basis, which is 1%, Force Go Wear in Q2 it contributed around 3%, but on half yearly basis it contributed 4%, Force NXT is same 2% for Q2 and H1, Missy 6% for Q2 and 6% for H1, Regular which is our economy range of products in Q2 we saw a contribution of 33%, but overall H1 basis we saw a contribution of 37% by the economy range of products. Thermal, if you see Q2 is the time period where we start our supply for the thermals, which saw 14% contribution coming from thermals, but on H1 basis it would be lower since first quarter is zero sales for thermal, so it is 9% on H1 basis.

Now quick update on our JV Company Pepe Jeans Innerfashion Private Limited. The total revenue stood at 5.48 Crores for the quarter and 6.83 Crores for the half year ended. The loss from the joint venture for the quarter stood at 69 lakhs and for half year it was 1.2 Crores, so our share of loss would be 35 lakhs and 60 lakhs respectively. I now open the forum for the questions and answers please.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: Basically when I look at the gross margins there have been an increase of like a very substantial increase of almost 1000 bps and the topline has grown by 6%, so the sense that I am getting is that probably the management is focusing more on realization increase versus pushing for volumes if you could just comment on this please and the second thing is that when I add the raw material cost and the subcontract expenses and divided by sales obviously then the increase is not so much so is it that you are subcontracting more or if you could just please talk about the management strategy and also about subcontract expanses, are you increasingly subcontracting and therefore these sort of numbers should be visible going forward also if you could just please talk about this, basically about the gross margins are you following a strategy of pushing realization as oppose to volumes that is one, second about subcontracting what is your take on this subcontract if you could just talk about this?

Shashi Agarwal: To your first is the management pushing volumes or is it management focusing on margins as well. Definitely the management is focusing on margins that is precise with the reason we have got under the new model of replenishment rather than the push model that is the reason we partnered with Vector Consulting Limited where we are trying to implement the theory of constraint in terms of their entire channel, my entire supply chain would work on replenishment model and we will gradually do away with the push model system, so definitely that implementation is on the way is starting and we have seen good results both in Karnataka and Rajasthan and we are overwhelmed with the results in both the states. We have also started implementing the same particular model in Maharashtra, Gujarat and Telangana, so this particular process was kind of slowdown as already highlighted by our MD because of the lockdown phases, restrictions in travels, etc., because this required a huge amount of on field presence by the team. In the new gen what we were doing is during the lockdown that we are trying to work across on operational backend system where we got a lot of things in place as well and still there is a lot to do it is just the start of the tip of the iceberg right now for us, so this has definitely been taken care of precisely one of the reasons you are seeing this margins are improving, but again there are two, three factors to be taken into consideration because under this particular model when we are talking about the replenishment model we are also talking about the universal pricing as opposed to the pricing, which currently goes on where you go to the market nothing is available on the MRP basis so definitely this is one more thing, which we are trying to implement the universal price list at the retail level and we have been able to do it in Rajasthan and Karnataka, Rajasthan being one of the biggest state where nothing sells, so when we have achieved the success we definitely want to implement this across our ecosystem that is one, number two definitely as we start working on to our backend systems that will give better gross margins again because of the inventory, which we will be able to carry that work in progress and other things would be rationalized. Today we have inventories, we did a number of inventory days, number of count may not come up with the rationalization would happen in terms of having the right kind of inventory and disposal, so this will make sure that the phase loss has covered in the particular process as well. So lot of work going on at the backend Shalini, but again to your question if we combine this question with outsourcing versus in-house manufacturing we do not want to increase the in-house manufacturing capacity, but we will see savings happening to us like one of the steps, which we took across was a solar plant installation commission, we commission the solar plant this quarter and we see that 50% of the savings would come in terms of the power cost, so these kind of small little steps again would help us to conserve, move towards number one with basics concept would be to move towards cleaner and a greener environment, having eco-friendly manufacturing facilities, but also would help us save cost so that would be the main factor that the management is currently working across to ensure that we are saving cost as working on the margins and also contributing to the society, so this is what it is. Subcontracting the reason is you would see this trading, which is there as you rightly pointed out this subcontracting and material consume taken together there is not much of a difference, but in isolation you will find difference in terms of gross margin is concerned. On half year basis it is just 300 bps there approximately so nothing is 300 as of two years, 35% was what we had in last half year ended and this year it is around about 39% so those savings concept again from the prices, which we got in this particular quarter there is a huge decline in material cost 15% the price of cotton was down during the phase of the lockdown, which has bounced back and we going ahead also see again the increase in cotton prices went to the tune of 7% to 8% so whatever benefits we could get and derive there we have taken that and that is one of the reasons we can see that is material cost.

Shalini Gupta: First quarter margins were like 17%. 18% and this quarter probably because of lower ad expanses this quarter margins are a little lower, so probably because of higher ad expenses so two questions if you could say what the ad expenses were in the first quarter as a percentage to sales and second quarter now and also what is the outlook on EBITDA margins how should we project for the year and for the next year?

Ankit Gupta: In first quarter our ad expenditure was around 10 Crores so that was basically due to the launch so we launched a new brand Architecture and that is the reason why we have to spend in the first quarter and also spend some of the advertisement expenditure in the second quarter as well. So in the second quarter it was around 16.5 Crores so in totality if you see half yearly basis it is around 26 to 27 Crores of ad expenditure vis-à-vis the last year half yearly where we spent around 44 Crores and with respect to the EBITDA guidance we see a good rise in EBITDA this year so by the fiscal end or we see around 14% to 15% of EBITDA levels.

Shalini Gupta: Thank you so much. I will come back in the queue if I have more questions.

Moderator: Thank you. The next question is from the line of Pranay Jhaveri from J&J Holding. Please go ahead.

Pranay Jhaveri: Congratulations on good set of numbers and thank you for giving me this opportunity. Though in your earlier remarks you have explained some part of your working capital, but if you could just elaborate in terms of the levers where you see these working capital days going forward that is my first question?

Shashi Agarwal: Individually if you just evaluate our working capital cycle pre-COVID time that as on March 31, 2020 you will see that only lever, which is actually distorting our working capital cycle, is debtors, inventories it is just like 10 days that will not be a big thing to put it down whatever done 90 days of inventories is required in our saving business because we have raw materials to cater to, we have finished goods, lot of SKUs items, Pan India distribution, etc., so inventory is 90 days is kind of something, which we are right now is targeting and that is not a difficult thing to achieve. Only lever which is actually distorting our entire working capital cycle is debtors and we got a very good opportunity to work on this during the pandemic situation. During this particular situation it was more kind of sellers market than the buyer's market. We have always fear that if we tighten our debtors we might have impact on our sales and due to this particular reason we were always little friendly and lenient to our debtors, but this particular situation where the supply was limited, the demand was high, actually very, very strictly we are following our credit polices it was absolutely first and we can always talk about supplying anything new this maybe in terms of number and as Ankit already spoke that if we look at the numbers at 180 days level the numbers have not come down, but considering the fact that all these things has happened in only last 135 days, but debtors numbers are fairly good and it is also reflected in our cash flow statements as well, so that is where we can see that lot of that is going down, lot of liabilities, lot of other collections happening. So here we have understood that we have rather as a policy the management has decided that we will strictly follow a 60 days credit policy with our debtors and consumers, so this is one of the reasons, which is definitely going to help us improve our working capital cycle and that is the reason the management is so confident about it.

Pranay Jhaveri: So, what would be your target going forward at the exit of FY2021 and FY2022 a broader picture in terms of your networking capital cycle?

Shashi Agarwal: What we are looking at as on FY2021 is debtors we are targeting at 90 days and stocks we are looking at somewhere around about 70 to 80 days that is something we are working along with the Vector Consulting team also so that we can rationalize and work across on that side of our production cycle.

Pranay Jhaveri: What would be that for the net working capital if I may just?

Shashi Agarwal: 90 plus 80 and if I take on the worst-case scenario that could be 170 less 40, 50 days of credit, which you get from the creditors so 170 minus 40 roundabout 130.

Pranay Jhaveri: By the end of FY2021?

Ankit Gupta: Yes, by the end of FY2021.

Pranay Jhaveri: Any target for FY2022 or that will be little too early to call for?

Ankit Gupta: Yes it would be too early for that as I have already spoken in my opening statement that we are going to make this company healthy by the end of FY2022 so unless and until we generate a good amount of positive cash flow we have not been able to wipe up our debts so we are taking steps to make this company healthy by the end of March 2022.

Pranay Jhaveri: In terms of this consultancy so basically, we are getting advice only on the working capital or is there something in terms of the approach for sales or the target or the competitive landscape also?

Ankit Gupta: When we talk about Vector Consultancy so it is on both the front it is improving our supply chain backend operations as well bringing efficiencies into it and also in the sales front it is all about reach and range so it helps us penetrate into the market where we are not present yet and also increase our retailer base plus increasing the number of SKUs like the stock keeping unit at the retailer level as well, so during our roll out period like when we rolled it out to Karnataka or Rajasthan we were able to enter into gray areas where we were not present like in Rajasthan we have Balotra, Pali, some talukas in Jodhpur division where we were not present earlier, but now we have the distributors there selling our product and the retailers are really welcoming our products and they are happy that we were initially being supplied by small saving wholesalers but now we have been supplied by directly by the distributor and as per their choices, so this is one thing which we see positive with the Vector Consultancy on the sales front. The second thing is the range so let us say Force NXT so Force NXT had a different kind of a working hard different distributors, but with Vector a particular distributor under a Vector project has to sell all the products of Dollar Industries Limited including Force NXT, so now we have started getting a traction for Force NXT products also just because now the people the tele callers or the field TSOs, which we have in the market they are coming to the individual retailers, advocating for the products and they are happy with the product range, so earlier what we were not used to sell and the distributor was not used to keep a certain brand, so now they are started selling so we have started increasing a reach as well as the range in the market so this is how it is helping us in the sales front and also supply chain is a part of their company, we are still working on the backend operation to make it more efficient.

Pranay Jhaveri: Thank you. I will come back in the queue in case I have any questions. Thank you so much.

Moderator: Thank you. The next question is from the line of Lakshmi Narayanan from ICICI Mutual Fund. Please go ahead.

Lakshmi Narayanan: Couple of questions. My question is that you have around 950 distributors I believe and then you also have people who appoint these distributors that there are some commission agents, etc., now that you are actually making changes in your distribution, theory of constraints, etc., so just want to understand how this entire distributor network will get revamped and the second question I have is that in terms of the volume of units, which is BigBoss and the economy range which you talk about how the volume growth has taken place in the first half when compared to that first half of the previous year?

Shashi Agarwal: First I will start with the distribution model, which we talked about that is how well it is going to be accepted in the distribution community we already have number one, number two is like what is their reactions and how we are partnering with them, so here I would see is definitely we have an existing network of 800, 900 distributors into our current system who are working into kind of a conventional method of trade, but let me tell you one thing whenever we have gone to a distributor and talk to them about the particular method, methodology of replenishment model rather than the push model the first reaction, which we got from them is always positive, they have been always positive about the changes that the company is about the bring into the system because trust me even they understand that the working capital is getting lot for them, they are carrying the inventory for three months, four months as opposed to if we talk to them about replenishment sending them the materials fortnightly every month that is a kind of music to the ears they really lost hearing about it. The only challenge which happens is when we talk to them is when we talk about the other replenishment measures we have they have to go to the retailers in the same way they have to work and they have a limited and restricted area and they have to work on an universal price list, so there are certain conditions also which comes along with our particular model when we implement them, so initially take the point to convince them once they understand and see that the model is really working fine it is not very difficult for us to convert them into our existing model and also with that when we are starting working on the replenishment model and we are billing them very frequently the collection starts improving it also helps us whenever we have to get the next order placed we always talk about that first we have to make the payments, which is due, the credit terms also we are trying to redefine here, we still have more than 45 days here in our new model that is also going to help us reduce debtors. So basically all system is all hand in hand when we are talking about so confidently about our numbers of 90 days because there are lot of working which has happened in the last one and a half year along with this, so that is how the distributors have been there and the ones which are not falling in line with us gradually we are going to tune them into some systems or kind of limit and restrict them not immediately but it will definitely happen and there have been simple examples where we has to choose typical choice but we had gone that way.

Lakshmi Narayanan: In your other expenses around 14 Crores for commission and brokerage, which I understand that there are some agents in the middle between you and the distributors and the agents told us to go and find these distributors, etc., now will there be some rationalization of that expense also?

Shashi Agarwal: Not immediately because we plan on keeping our agents like the company has been appointing agents in all these states and we have basically the state is monitored and run by the agents because they also take the responsibility of the payment from the debtors so we will continue with the system that is we will think about it once we have put the entire India under this particular system probably that is a call that we need to work across once we reach there so it is a long shot right now.

Lakshmi Narayanan: In terms of the volume of your main product which is the BigBoss and the economy range and how the ASPs have actually moved, how the volume has actually moved and what is the kind of touch points you actually reach to this 900 odd distributors?

Shashi Agarwal: Sorry I did not get the last bit Mr. Narayanan.

Lakshmi Narayanan: Through these 900 odd distributors how many end points you would actually reach in India your absolute reach of end points approximately and then what is the volume growth as well as the ASP growth of BigBoss and the economy range?

Vinod Kumar Gupta: So coming to the volume change and the ASP level as well on quarterly basis year-on-year we see that BigBoss has contributed around 40% with respect to 43%, which is last year it was mainly taken over by the economy range of products because this year 3% growth in our economy range of product as well in terms of contribution the change in ASP, so overall at a company level we saw a decline in our ASP earlier it was 61.87, which is now 56.57 on quarterly basis, but on half-yearly basis we see overall ASP as 54.33 with respect to 59.47 last year half yearly basis. In terms of volume change in BigBoss on half yearly basis we saw a degrowth of 17% in terms of volume but increase of 21% in the volume of our economy range of products. Also we saw in thermals we saw a volume change of 90% on half yearly basis, but if we take the ASP basis there was a 1% change in BigBoss towards the positive side, but in the economy range of products we saw a decline of 14%. Our total touch point in the market is around 110000 retailers presently, which is spread across 950 distributors on Pan India basis.

Lakshmi Narayanan: Thank you so much.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna Jhunjhunwala: Congratulations on improvement in working capital as well as resumption of pre-pandemic level of things. Just wanted to understand how the demand scenario now that economy is now largely opened and there are no major lockdowns across the country so though even offices has started so how the demand panning out across regions or across the country and how the inventory in the supply chain at adequate levels or if you could highlight some changes that could have happened in the inventory on a year-on-year basis in the supply chain system?

Vinod Kumar Gupta: Right now demand of the product in the market is really very good and it is not only this country we are having a good amount of demand but abroad also we are getting good orders because of if you talk of overseas market there are some I do not know these overseas markets are experiencing low supply from China maybe because of that China factor there also working, but demand for our product is really very good right now and the domestic market also it is very good. If you look at the demand for the thermals if you talk of 2018-2019 the demand in the last two years was very good and there is no leftover or carryover of stocks and this year also by God grace the winter has set in earlier and now there is a good demand from them market and we are also what we are viewing with the forecast this year the winter should be long the number of days for which the winter is there it is going to be a larger period maybe till February 15, 2020 there should be a good amount of demand of the thermal products so the demand for the product is really good if you talk of cotton and it is also really very good if you talk of thermals. So from the demand side we are well that there is a force from the market and we are also gearing up our supply chain to cater to those demands well in time, we are fully equipped and we do not see any dearth of any shortfall in the supply chain, supply chain is well monitored and well equipped. Thank you.

Prerna Jhunjhunwala: You are focusing on exports market could you help us understand how has been the exports market performance, what would be the contribution of the same in the quarter or in the first half versus last year?

Ankit Gupta: The thing is if you see on H1 basis the export percentage is around 5.5% vis-à-vis 7%, but we have to keep in mind once in that in the first quarter the sales for the export was zero so whatever contribution has come has come in the second quarter itself, so if we bifurcate our total sales 92% is domestic, around 5.5% is exports and 2.5% is what we received from our modern retail chain, which includes majorly of e-commerce and some amount of sales in the large format stores like Brand Factory.

Shashi Agarwal: We definitely have a good pipeline in terms of the concern from the Middle East countries and we are very hopeful and positive about this export numbers to go ahead in the third quarter and in the next two quarters.

Prerna Jhunjhunwala: Just a followup on this Madam in exports we are selling under own brand know which brand you must be exporting it under?

Ankit Gupta: It is under the Dollar brand only; we are the only company which exports in our own brand name Dollar.

Shashi Agarwal: So, we have BigBoss going, we have Missy; we also have some thermals, which are exported.

Prerna Jhunjhunwala: Could you just elaborate your strategy for online sales as you said that in the initial comments that the company would be focusing on e-commerce and online sales going forward as it has come up as a new medium for sales in the pandemic times?

Ankit Gupta: Yes, so we saw a very good demand in our e-commerce channels so the all the major channels like Flipkart, Myntra, Amazon, Ajio, which is growing at a good level so in all those platforms we are getting a very good traction for our sales especially Missy in which our wholesale sale like traditional channel sales have not increased that much, but in the online we are getting a very good traction. Athleisure is one segment where we are getting a good traction online as well as our wholesale, so going forward the total sales of our e-commerce is around 2% of our total sales right now, so this year we want to grow at a 2x level, but going ahead we see a huge potential in e-commerce, but as a percentage of our total sales we will still be lower as our traditional business channel or our traditional way of business is much larger in terms of volume and value.

Moderator: The next question is from the line of Anil Desai from Marcellus Investment. Please go ahead.

Anil Desai: Can you speak a little more about your new brand Architecture specifically from a pricing spectrum what all segments will you pan and where will be the largest contribution to your revenues coming from?

Ankit Gupta: Before Brand architecture there were a lot of sub-brands that we use to carry like Dollar BigBoss, Dollar Lehar, Dollar Comfort, Commando, Bravery, Dollar Missy, Dollar Champion, Dollar Socks, Dollar Ultra, Dollar Winter Care, so there were n number of sub-brands that we had and all the logos were different only the dollar logo was the constant part in all the sub-brand logos, so we thought and underwent a change wherein our logo was completely modified, it is a brand new logo gives you a fresh feeling a positive vibe when you talk about or when you see the logo with a pneumonic, which is created as DD if you see it closely, so we got in touch with a couple of consultants and finally we dwell down to one consultant, which is link and site it is a wing of Lowe Lintas worldwide and this suggested why just logo change why not the entire brand Architecture wherein it would be really very easy to promote all the brands together as well and also a little less confusion in the minds of consumer so earlier Dollar used to be perceived as amale centric brand, all the communication, all the advertisement was more towards masculinity, macho kind of a thing, but after the brand Architecture, after the new logo introduction and all the changes that we have made it is more towards gender neutrality where if Dollar is kind of a family brand wherein a kids can shop, a women can shop or a men can shop and so how we categorized in our new brand Architecture is we have Dollar Man, Dollar Man contains BigBoss as a collection then we have J-Class as a collection, which is an upgraded version of BigBoss and we have Dollar Man Athleisure, so Athleisure is the new addition that we had last year. The second category is Dollar Women, in Dollar Women we have one collection that is Missy then we have Dollar Junior, which deals with the kids range of products and the collection is Champion and Kids Care. Then after that we have Dollar Always, in Dollar Always what we have done is earlier we used to have economy range of products under different sub-brands like Lehar, Bravery, Commando, Comfort, Egyptian so all those kind of sub-brands have been merged to Lehar and now under Dollar Always we have a collection called Lehar, which contains all kinds of economy range of products that we have. The fifth and the last category that we have is Dollar Thermals it has Ultra and Winter Care as their collection so Ultra is a bit premium thermals that we manufacture in Ludhiana and Kolkata and Winter Care is a bit economical than Ultra and we manufacture it in Kolkata itself, so this is how we have characterized all the sub- brands into five categories and each category is self sufficient, you might ask that what happened to Dollar Socks, which was earlier a separate sub-brand so what we have done is each categories like Dollar Man, Dollar Women, Dollar Always, Dollar Junior, Dollar Thermal, all the categories have their own socks range so Dollar Man has its own socks range, Dollar Women has its own socks range so what we have done is we have consolidated a lot of categories, sub-brands and made it a more simpler one and easy to understand for the consumer. However, Force NXT and Force Go Wear remains the same as before because we do not use the word Dollar there then individual standalone brands that we have in-house.

Anil Desai: Does this also change your focus or priority on which categories will be more important for you or that remains unchanged, does Lehar become more or less important after this change the focus is retained as it was earlier?

Shashi Agarwal: As always the Lehar is the economical range of products the volume it will always give us the volume but the value proposition would definitely come from Dollar Men and Force NXT and other brands, but focus that we have to have equal energy and focus on all these three categories because we cannot let the volumes go because that is definitely gives us the volumes are there and even the EBITDA margins are lower there but we have to also keep in mind that the advertisement expenses are lower there as well, so the margins is more or less kind of an 8%, 9% which we get there, if we have to go higher BigBoss would definitely be mid premium segment, which is kind of an again would be the volumes comes there. Premium ranges is catered by Force NXT and if we go further ahead Pepe Jeans, JV company which we have already taken up, so the focus I would not say that there is one particular brand, which is getting indicted or somebody one particular brand is getting promoted over the others it is not that equal energy in focus has rewarded to all these brands. Yes that is one particular category if I have to speak about is Dollar Kids, which really needs little more attention because there is a huge potential lies ahead for us there, there is one thing this is one category where we needs to devout our energies because Missy has been doing well with greater energy and focus there, the bottom wear, the leg wears for the women are being doing wonderful. The pandemic times I would say that the sales were down for the leg wear otherwise Missy was gathering good traction there. Force NXT has also done good for us, Lehar economy ranges and BigBoss has always been there for us, so I think no particular preferences goes to one particular brand, equal energies and efforts is driven in all these brands.

Anil Desai: Great thank you very much.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev: Jus wanted to have a sense in terms of what is the working capital cycle in Karnataka and Rajasthan given that TOC has been implemented in both these states now?

Shashi Agarwal: I would see the number of distributors which we have rolled out is like we have touched around 20 distributors in both the states, so definitely it is around 50% of what we have, but the working capital cycle has not been individually calculated there but what we can say that yes they are well within especially the Lux distributors have been well within the limit and timelines of their current policies.

Bhargav Buddhadev: The advertisement spends in this quarter was about 16.5 Crores right what was it in the same quarter last year advertisement spends?

Shashi Agarwal: I would suggest that we should not look in the same quarter-to-quarter basis rather look at an half-yearly basis because second quarter is always dull for our advertisement period so in half year basis we had spent 43 Crores in six months ended whereas this year we have just spend 29 Crores that is a 35% decline in advertisement expenses overall it is 6% to my sales.

Bhargav Buddhadev: No, the reason I was asking for a YoY trajectory is that should we expect ad spend to now see an increase with recovery been visible or how should we look at it in the second half?

Shashi Agarwal: For this particular year we have targeted 60, 65 Crores as our advertisement expenses.

Bhargav Buddhadev: What was it last year?

Shashi Agarwal: 23 Crores Sir.

Bhargav Buddhadev: Lastly is it fair to say volume growth at the company level in 2Q was around 15%?

Shashi Agarwal: The volume growth of the company overall level?

Bhargav Buddhadev: Yes.

Shashi Agarwal: For half year basis the volume change has been more or less same.

Bhargav Buddhadev: Second quarter?

Shashi Agarwal: Second quarter definitely there has been a 20% volume growth.

Bhargav Buddhadev: Okay thank you that is it from my side.

Moderator: Thank you. The next question is from the line of Kimberly Paes from Anand Rathi. Please go ahead.

Kimberly Paes: Sir basically I just wanted to know on the other expenses front there has been an absolute reduction in H1 obviously because of the low operational days as well, but going ahead is there any structural cost that we will be carrying forward or will other expanses continue to be around 19%, 20% of our sales?

Shashi Agarwal: Kimberly major expenses which form part of this other expenses is the advertisement part of it and we do not see that going up because we have kept that at 60 Crores for this particular year so we have already spent 28, 29 Crores this six months and we see another 30 Crores going so it is 50%, probably I will not see a very big jump in terms of my other expenses are concerned.

Kimberly Paes: Going ahead like for FY2022-FY2023 onwards like any structural reductions that we are taking with us?

Shashi Agarwal: Advertisement expenses the way we are moving in the market our goal is to again I would say that we have seen more in the market rather than seen more in the TV because the impact which in consumer when he walks into the store and he see a dealer boards of Dollar Industries everywhere that has a high impact rather than the advertisements, which runs in the TV and then the expenses which is incurred on these TV runs as because this is both they are way to two different numbers they come up oppositely not himself so definitely that is the plan which the company has going ahead so the advertisement would be done but we done in a more rationale and organized manner.

Kimberly Paes: Okay alright, thank you.

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

Devanshu Bansal: Sir I just wanted to understand that share of economy range has increased for us so how has seen the month over month trend in terms of consumer preference for economy variants versus the premium variants?

Shashi Agarwal: The reason for this particular change is because even during the pandemic situations the demand was majorly coming from your suburban areas, rural areas, urban areas major cities were closed on, Maharashtra for example was closed onto a bigger extent that is the last city to open up, major cities they did not open up even today in this city people are scared as opposed to when you worked on to the rural areas you will see people moving freely and maybe not having that being impacted though we do not understand the impact of the severity, which we need to follow the stuff, they have been opening up their shops, so there I would say this is more kind of an current situation, which has made a shift from BigBoss to a regular level of product, but this is not something to stay as we resume our life to normalcy, as we move ahead we have seen malls opening up, we have seen departmental stores gradually opening up, people gradually moving out to buy either through the online channels or after taking the safety measure precautions because we have to understand that this is not a discretionary buy this is something you might postpone that you cannot do away with completely, even if you are staying indoors no matter that they are staying indoors or you are going out for work you would definitely need a pair of your inner wears.

Devanshu Bansal: So, with further unlocking you believe because our recovery has been pretty strong and so with the unlocking trends which cities also contributing so did you think that volume growth will be far better than the expectations?

Shashi Agarwal: Yes absolutely we are very, very confident about it and that is how we are actually working around as well, as already highlighted by Ankit and the MD Sir that we are working on online channels, we are approaching or moving into the areas, which we previously not penetrated or which was this kind of left right or the existing distributors we have been serving them well so we see this happening the demand is coming in back and the volumes going up that is something we are working across.

Devanshu Bansal: Wanted to take your thoughts on the difference in working capital requirements for traditional distribution channel and e-commerce channel?

Ankit Gupta: So in e-commerce what happens is when you sell a product today the amount is credited to your account in the next month after 15th so it is around 45 days to 50 days payment period in our online sales vis-à-vis in our traditional business currently we are at 112 days.

Devanshu Bansal: So, with share of e-commerce embracing this will also contribute to working capital improvement, right?

Ankit Gupta: Yes, but what happened is when you talk of online sales you need to carry a lot more inventory than what you have in our traditional sales level because in online you sell piece-to-piece basis and not at trade pack basis, so a trade pack generally contain 10 pieces box for our wholesale business, but in our e-commerce operations we sell piece-to-piece basis so you need to carry a lot more stock than what you have in our traditional sales, but overall going forward while we increase our sales online the percentage would be still smaller than what we are at today, so currently if we are at 2% of our total sales coming from e-commerce that would be what 3%, 3.5% at a year-end level so that would still be very small to get so I was saying that the online sale contribution to our total sales would still be at a very low level to make a considerable change in your debtor days or inventory days I would say.

Devanshu Bansal: Sure, Sir that is helpful thank you.

Moderator: Thank you. Ladies and gentlemen due to time constraint we take the last question from the line of Ritesh Badjatya from Asian Market Securities. Please go ahead.

Ritesh Badjatya: My most of the questions answered just one question is on the distributor side if you can quantify what kind of the ROI distributors are making under the old distribution model and what kind of ROI improvement can be happen under the replenishment model which we are talking about?

Shashi Agarwal: Under the previous model we had went with the ROI that when we sit across and talk about this particular new model of replenishment and lush projects we actually go ahead and talk to the distributors and help them work out the ROI they have been given. So understanding that the numbers something you are talking on the past data and you have to rely on their numbers they definitely will not want to show in any healthy picture, but even nonetheless I said I am sure they definitely not make anything less than 10% that is what I would be assuming here whereas we are assuring them of an minimum 20% of an ROI to our new distributors and for them for the existing one we are assuring of whatever they were making, whatever the RIO was there we will definitely keep that intact and going ahead they will definitely benefit because our new distributors do not have any backlog or he does not carry the burden of the existing stock whereas the new existing one does so it takes us sometime to pull down their existing stock and get them to the same level as the new distributors, but any which ways I would say 20% under project Luxury is what we should be definitely achieving and under the old system 10% is what we see.

Ritesh Badjatya: Helpful madam thanks that is all from my side.

Moderator: Thank you. I now hand the conference over to Mr. Akhil Parekh for closing comments.

Akhil Parekh: On behalf of Elara Securities I would like to thank the Management of Dollar Industries for answering all the questions extremely patiently. If management team has any closing remarks please go ahead.

Shashi Agarwal: I would thank all the participants here today who have been putting in their questions and hearing us patiently. Thank you everyone and stay safe, stay healthy and definitely need to come across come out start working and get everything on to normalcy looking forward to the next quarter call. Thank you everyone.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Elara Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.