



**Dollar Industries Ltd.**  
CORP. NO. 11177000001 (TAN 11177000001)  
(AN ISO 9001:2015 CERTIFIED ORGANIZATION)

19.02.2019

<b>BSE Limited</b> <b>PhirozeJeejeebhoy Towers,</b> <b>Dalal Street,</b> <b><u>Mumbai – 400 001</u></b> <b><u>Scrip Code :541403</u></b>	<b>The Secretary,</b> <b>National Stock Exchange of India Ltd.,</b> <b>Exchange Plaza, C-1, Block ‘G’,</b> <b>Bandra-Kurla Complex, Bandra (E),</b> <b><u>Mumbai – 400 051.</u></b> <b><u>Symbol - DOLLAR</u></b>
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Dear Sir(s),

**Reg: Transcript of ‘Earning Call’ on 13.02.2019**

A copy of the transcript as received from Edelweiss Securities Limited, being the organizers of ‘Earning Call’ made on 13.02.2019 on the financial results of the Company for the Quarter and Nine months ended on 31st December, 2018 and other matters is enclosed.

This may please be informed to all the concerned.

Thanking You,

Yours faithfully,

**For Dollar Industries Limited**

**Abhishek Mishra**  
**Company Secretary**

**Encl: As above**



“Dollar Industries Limited  
Q3 and 9M FY2019 Earnings Conference Call”

February 13, 2019



**ANALYST: MR. NIHAL MAHESH JHAM - EDELWEISS SECURITIES LIMITED**

**MANAGEMENT: MR. ANKIT GUPTA – VICE PRESIDENT (MARKETING) - DOLLAR INDUSTRIES LIMITED**  
**Ms. SHASHI AGARWAL – SENIOR VICE PRESIDENT – CORPORATE STRATEGY & INVESTOR RELATIONS – DOLLAR INDUSTRIES LIMITED**



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**Moderator:** Ladies and gentlemen good day and welcome to the Dollar Industries Q3 and nine months FY2019 Earnings Conference Call hosted by Edelweiss Securities 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. I now hand the conference over to Mr. Nihal Jham from Edelweiss Securities Limited. Thank you and over to you Sir!

**Nihal Jham:** Thank you Nina. On behalf of Edelweiss I would like to welcome you all to the Q3 and nine months FY2019 conference call of Dollar Industries. From the management, we have Ms. Shashi Agarwal, Senior Vice President, Corporate Strategy & Investor Relations and Mr. Ankit Gupta, Vice President (Marketing). I would now like to hand over the call to Mr. Ankit Gupta for his opening remarks. Over to you Sir!

**Ankit Gupta:** Thank you Nihal. Good morning and a warm welcome to everyone on the earnings call of Dollar Industries Limited for Q3 2018-2019.

I would initially want to start with the recent interim budget 2019, which was announced a few days back on February 1, 2019. As we all can see the presented budget was the much promising budget for the common man living in increased disposable income. The government also proposed measures to help boost the MSME sector as well. This would in turn help our consumers move up the ladder to the aspirational brand in the respective sector. Overall this should help the hosiery industry to grow as well.

The company is glad to share that this time winter was strong and as a result sale of thermals was better than the last year. Increase in demand for the trendy products with quality materials has provided an opportunity to the company to fulfill customers demand at reasonable price. The company has remained focus on improving the quality of product and supplying more fashionable product at an affordable price.

I am also happy to share with you that the company has been awarded best clothing in men hosiery by Times Business and the best clothing in men hosiery segment. Our newly launched products by the joint venture companies Pepe Jeans Inner Fashions Private Limited has received good market response in Southern India in cities like Chennai, Bengaluru, Hyderabad in trade channel as well as Pepe Stores. The company is working hard to make its product available in northern and western zone soon. There are more than 35 styles covering men's innerwear and athleisure. This is all from my side and I now hand over to Ms. Shashi to talk to you about the financial performance of the Company.



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**Shashi Agarwal:**

Thank you Ankitji. The Company's total revenue for the quarter ended 2018 stood at 245 Crores as compared to 222.8 Crores last year. The nine months total revenue stood at 732.46 Crores as compared to 654.57 Crores last year.

EBITDA of the company for quarter ended 2018 was 37.90, which is 15.43% as compared to 36.91 that is 16.57% whereas the nine months ended result was 102.76 Crores coming up to 14.03% as compared to last year 92.87, which was 14.19%.

The PAT of the company for quarter was 19.35 Crores that is 7.88% compared to last year 17.96 Crores that is 8.06% whereas the nine months ended result was 53.16 Crores coming up to 7.26% as compared to last year it was 45.34 Crores, which was 6.93%.

Now moving onto the revenue breakup. Bigboss stood at 42%, Champion at 0.50%, Force Go Wear at 4.5%, Force NXT 2.5%, Missy 8%, Thermal 9%, economy range of products stood at 33.5%.

This is overall a short synopsis of the performance of the Company. I will now open the forum for Q&A.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Himanshu Nayyar from Systematix. Please go ahead.

**Himanshu Nayyar:**

To start with just to understand this quarter a bit better. If you can just give us some more colour on the demand conditions and what sort of volume growth we have been able to get this quarter and secondly on the margin side other expenses have moved up very significantly, which has impacted our EBITDA margin, so just wanted to understand the key heads where we have seen a increase in cost there.

**Shashi Agarwal:**

I will answer your first question in terms of what has been the demand. This was a good winter, I would say that whatever we produce in thermals we have post that and if I have to look at the numbers in terms of how it stood be at nine months ended probably I would say my overall volume growth had been 6.5%, value growth being at 11.5%, but being very specific to thermal because this particular quarter talks only sells thermals in this quarter majorly the major billing comes only from thermals, so increase has been 23% whereas the pieces the volume increase was 6.5% again there. The next question in terms of the increase in the other expenses, so yes there has been an increase in other expenses and there were two particular prominent categories, which has actually taken up that extra space there, one being the advertisement expenses and the other being my sales incentive. If I really look at the comparison in terms of last year what we were doing for the particular quarter if I have



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to talk about I have overall spend 13 Crores more in a quarterly basis, 9 coming from the advertisement, 6 was going into the sales and incentive bracket. The reason for the sales incentive going up is because we had come out with the promotions very, very specific to again for the consumer end and we had some specific promotions for the retailers and the distributors this season. We also wanted to enhance the sales of my other categories of product that the Brief and Vest generally which is very, very low this particular quarter, so that is the reason we were running a lot of schemes and again incentives to the distributor, retailers and the consumers. So probably that is one of the reasons for the number to be high. Advertisement now we have actually spend something very soon you will be seeing one particular launch of TVC Akshay Kumar where he is talking about Bigboss Brief. Till now Akshay was only promoting the Bigboss Vest, you he did not talk about brief, but we just made that commercial and very soon we will be launching in this particular quarter. So those are the expenses, which have been incurred here, that is probably the reason there has been a little shooting up in terms of the advertisement cost.

**Himanshu Nayar:**

Madam just a followup on these two points. We had I think budgeted that we have a fixed amount of budget for ad spend, so I think we will be overshooting that budget this year now with this spend and secondly wanted to just crosscheck these incentive I think have netted off from sales right or there is still some chunk coming in other expenses?

**Shashi Agarwal:**

Yes these incentives as you rightly said that as per Ind-AS 115 now everything needs to go, needs to get netted off from the topline and that is precisely the reason there has been a revision in to the financial year numbers as well for the last year if you look at, but there are certain expenses like that would not go, so the retail schemes would not go to the netting off. The consumer schemes will not go up to the netting off. Only distributor schemes, discounts, cash discounts, trade discounts, any likewise, which we pass it on till the distributor level will be netted off, but not the retail and the consumer ones.

**Himanshu Nayar:**

And on the ad spend budget for the year?

**Shashi Agarwal:**

Yes ad spend of the budget of the advertisement yes slightly that we have crossed, but yes Q4 we will be keeping at a little low, but then again you have IPL and the World Cup coming in the third quarter, which generally happens in April you will see them happening in March, so a little kind of in the planning. I would say that which would have been initially scheduled us later to be spend in the first in April and May would now actually gets spilled over in March also. So there is some kind of an overshooting of the budget I do agree to that, but still we are trying to work out and marketing team to keep it at the minimum possible.



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**Himanshu Nayyar:**

And my second and final question would be if you can share some update on our project with Vector Consulting and in light of the progress there what sort of guidance we can share on growth and margins for next year?

**Shashi Agarwal:**

I will restrain from sharing any kind of guidance in the light of Vector because the pilot, which we have started we started in December two months, we took across the December January we had a lot of network to do with the team so the training of the candidate, the entire architecture on this teamwork, they actually implement the entire project of this had to be prepared, so it is all the prep work was going on for the last two months. In February itself we have hit the market, so let me first update you onto the area in which we are running the pilot. So we are running the pilot in Bengaluru a very specific area South Bengaluru we have picked up one of the distributors there and this particular distributor was serving around about 300 to 400 retailers and I would see on a yearly basis that number was a little more, but yes when I have to say that it has to be active distributor wherein these distributors retailers were being served on a monthly basis the number would be much lower so round about 200, 250 is retailers that the distributor was serving. So these guys has gone ahead and mapped each and every individual shop in that particular area in locality they probably can place in as well, which we never thought about as well. So for the women segment, for the men segment, for the kids and the number was quite amazing and really we were amazed to see that kind of a number. So once we have the mapping done, let the team out there, they are going to each particular retailer they are taking asking them to enroll with us and then to the telecallers we are taking the call orders from them. So this looks though just maybe 12 days into it, looks very, very promising to us, very, very happy to see that, if this really works out should get completely revamp of our existing systems. So currently what we do, we sell it to the distributor, we help them to reach the retailer, but nonetheless we do not have any control over how the distributor work, but if we implement the system, this would be complete overhaul of the system in terms of we would be connected to the retailer, we know what distributor is selling, what kind of stock is he carrying, what kind of a dispatches and the services he is giving to the retailer a completely revamp of my existing system. So looks very, very promising as of now, till the time I do not actually close my pilot I will reach each one of them, see that they are giving me the orders on the continuous and a repeat basis consistently I would say it would be too early to comment, but as of now with 12 days my team my boys into the market looks very promising.

**Moderator:**

The next question is from the line of Pratim Roy from Stewart & Mackertich. Please go ahead.



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**Pratim Roy:** My first question is that what is the segmental revenue contribution that you have mentioned the number that was nine months ended right, so I want the quarterly number if you can provide that?

**Shashi Agarwal:** Sorry Pratim you want the quantitative numbers?

**Pratim Roy:** Quarterly contributions, only Q3 contribution here you provided nine months right?

**Shashi Agarwal:** Right. So Q3 would be 37% of my Bigboss, Champion would be around about 0.50% there, Force Go Wear 2%, Force NXT 2%, Missy 8%, our regulars around about 27%, and 23% from Thermals.

**Pratim Roy:** Okay because it is a winter season right?

**Shashi Agarwal:** Absolutely so winters we have a big sales, so if I really have to talk about my number that is totally 23% has been an overall growth for the nine months ended in thermal and 40% in terms of my quarterly number.

**Pratim Roy:** And my second question is that what is the volume growth for the brand Missy and the Force NXT, year-on-year?

**Shashi Agarwal:** See volume growth for Missy has been 19% and overall value has been 32% growth on nine months ended numbers.

**Pratim Roy:** And for NXT?

**Shashi Agarwal:** Post which we did talk about it **last time** as well that there will be some internal revamp in terms of go to market strategy for Force NXT so there has been a decline of around about 20% in terms of my value and 6% in terms of my volume.

**Pratim Roy:** How much decline volume?

**Shashi Agarwal:** Volume has been sorry I just put the number wrong, if Force which is around about 6% decline in value and 9% in volume.

**Pratim Roy:** And what is the strategy that you have just mentioned that you are changing your strategy for this brand what is the strategy you have taken right now means what is the change?

**Shashi Agarwal:** Initially when we were talking about that Force NXT is a brand where we will not attach Dollar and it would have to stand on its own, we tried working on to that, but when you are



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going to the market and you are not giving any kind of an support, which is why would a retailer and distributor work onto this brand until how will you convince the consumer, so these things we did not understand that these challenges would come. So now when we are working we are trying to say that is fine it is coming from the house of Dollar, but it is a superior brand, it is in a better brand and for that we are trying to reach especially we want to target the southern market now initially. So those are sustained kind of a strategy we are working with the team and we are hopeful that we would need some at least three to four quarters to work around and make a turnaround in this particular brand. So purposefully we have come down a bit, we have just introduced athleisure into Force NXT so you will see the product in the market by end of this quarter. We have started taking orders from the distributors and then again we are trying to place the Force NXT into the large format stores as well. So there are certain many parameters on this, so we want to create a consumer connect of the brand with the consumer to make them aware, so there are lot many other things, which we are working internally. A complete brand architecture is being worked upon with my team, so where we are saying that we have so many different kind of plan, so all this put together this would help us align our strategy for Force NXT.

**Pratim Roy:**

Yes, that means that you are introducing Force NXT also under the Dollar connect touch point right so that the Dollar brand can provide some traction on the Force NXT brand?

**Shashi Agarwal:**

Not really, I would say that see even today when you buy a Force NXT you will see that manufactured by Dollar Industry Limited. so it is always there, but we were absolutely limiting itself has been not even talking about it to the distributor that is coming from house of Dollar or the retailer how they should be looking at it, but now we were just trying to educate them it is not that it is standing by its own, the whole company was working with this brand. It is just that initially we did not, when we went to retailer we did not talk about Dollar Industry, but now we are telling them that it is Dollar Industries is there, the company would built the Boss is also building Force NXT in that way helps to understand the brand, we are not saying that it is the brand logo would be launched this Force NXT would be launched into the brand logo of Dollar. We are not doing any such thing. It is just about educating them.

**Pratim Roy:**

And one last question is that what is the revenue contribution that we are getting from the Pepe Jeans JV means right now absolute number what is the contribution earning from that particular thing, if you can mention that number?

**Shashi Agarwal:**

It is just a mere 97 lakhs of billing, which has happened with Pepe the product launched in October against 1 lakh pieces, which we have stored to them round about the ASP for us comes around a bill Rs. 80.





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- Pratim Roy:** This 97 lakhs revenues means total revenue right?
- Shashi Agarwal:** Total revenue from Pepe, are you talking about remanufacturing in Dollar or you are talking about the revenue of the Pepe joint venture?
- Pratim Roy:** Pepe joint venture.
- Shashi Agarwal:** Pepe joint venture I will not be able to get the numbers right now in the call because again we need to have some certain formalities with the joint venture company because this is something I cannot publicly talk about it because it is a private thing and we have whenever we make any kind of an announcements we have to have approvals with them, I will not be able to put those numbers right now.
- Moderator:** Thank you. The next question is from the line of Shiva Kumar from Unifi Capital Private Limited. Please go ahead.
- Shiva Kumar:** Shashi when you said that incrementally the other opex was higher by 13 Crores this quarter, so 9 Crores of the incremental 13 Crores was from ad expenses right and the rest in the former sales incentives?
- Shashi Agarwal:** Yes that is correct.
- Shiva Kumar:** And should we expect these sales incentives to continue further or is it a onetime phenomenon?
- Shashi Agarwal:** I think this should be just for this quarter I do not think so that should really reflect in my Q4 because currently we are not increasing any schemes this particular quarter we have not come across with any schemes or no schemes in this quarter. We did a lot of launching in the last particular quarter itself. I do not see that to be on rise much, but added something I am little worried about, I would be very honest here because I see that advertisement expense from April getting preponed too much, so there is some kind of worry that how do we mitigate that. That is something discussion is all within the company that what do we do because as it is we have also did our budget and we see those preponement of advertisement expense from April to March so we are trying to mitigate that.
- Shiva Kumar:** And are you seeing good traction in Missy especially after you onboarded a new brand ambassador for the product and you spend some ad expense for Missy particularly. So how has been the market response for that, do you see any traction there?



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- Shashi Agarwal:** On a quarterly basis if I look at my Missy numbers I have a growth of 41%, 19% in volumes over nine months ended 32.5% in terms of value and 19% in terms of volume. I would say it is good to respond, which I am receiving despite the factor is still do not have that kind of income the product range when I talk about the loungewear missing from my product portfolio. People are accepting it and when we have gone to the market specifically with respective team we are seeing all this coming in for Missy leggings a lot. So I would say that it is encouraging and we are hopeful with this brand.
- Shiva Kumar:** And Shashi how has been the working capital this quarter?
- Shashi Agarwal:** This is similar to last quarter so I have not made any progress in terms of decreasing my debtor days, but inventory is slightly higher by five days that is one of the reasons because this athleisure has been launched. Athleisure we have started billing from February mid and we have started billing to the distributor and before we start billing to the distributor we need to have ample stock. So that is a lot of stock pileup for my athleisure brand. So one of the reasons in this particular quarter I have a little stock pileup. So just to give you understanding generally the split of raw material to the FG remains at 55 to 45 in Q3, but this time it is reversed, so it is 53 and 42, so 58 remains my FG and 42 is with raw material. So athleisure is giving my stock inventory levels.
- Shiva Kumar:** So athleisure also will be sold to the same channels right?
- Shashi Agarwal:** Yes absolutely.
- Shiva Kumar:** And in terms of debtor days are they still at 100 days, which you had reported in Q2?
- Shashi Agarwal:** Yes they are still at 100 days.
- Shiva Kumar:** And do you see some easing of pressure in the distributor channel wherein distributors are falling in line in terms of doing the business more with proper bills and all at the last mile basically?
- Shashi Agarwal:** Yes Shiva, I am not sure which is what we did discuss.
- Shiva Kumar:** Yes basically I was asking whether post the GST there were some hiccups in the last mile whether retailers have had to register for GST get everything in place before they can again putting new orders so that has been ironed out just wanted some update on that?
- Shashi Agarwal:** I was still continuing not something which we, I would say it is like completely high ironed out. The process is in progress; we are trying to work around it, but nothing very



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encouraging right now, so we are still onto it, still educating them and trying to work in hand in hand with them so that we will see better results.

**Shiva Kumar:** And Shashi how has been the progress in the modern trade channel have you onboarded any new partners in that particular channel?

**Shashi Agarwal:** So we just signed the agreement with India Family Mart and the Citylight last time. We will start business with them soon. We have also dispatched to Amazon US the first lot of Force NXT sales, the athleisure and the innerwear. So there have been some I would say nothing new, but whatever we were talking about those are getting actioned upon.

**Shiva Kumar:** And how much is the revenue contribution from a modern trade currently?

**Shashi Agarwal:** Approximately 3% all put together. 3% is modern retail and e-commerce both.

**Shiva Kumar:** Both put together great. I will join the queue. Thank you.

**Moderator:** Thank you very much. The next question is from the line of Shashank Palan from Rockstud Capital. Please go ahead.

**Shashank Palan:** Madam I needed some clarity on the online business, so the thing is we have now we see Pepe is also online and even selling Dollar underwear, innerwear. Just wanted to know what is the margin profile if you go online compared to what we do through distributors?

**Shashi Agarwal:** So here I would see the margins there would be two part of it, when we have in terms of the pricing and the other would be in terms of the inventory carrying in the debtor days. So for online the debtors I would say is realizable easily because within 32, 45 days you realize the debtors, but however you definitely carry the inventory for a much longer period because here once you dispatch in the distribution channel once you dispatch the inventory you build and the inventory passes on from your books to their books; however, on the online we do not have an outright sale so they hold the inventory for Dollar Industries and once they are billing to the customer consumer that is when it is a sale recorded so definitely for us the inventory carrying will become a little longer. So that is basically compensated to what we have and that is basically we have a longer inventory days, longer debtor days for the distribution channels and as far as the pricings are concerned there is not much of a difference as of now because we are still trying to garner a lot of sales in terms of particular segment is concerned. Then you have extra expenses in terms of dispatches that is individual packing has to be dispatched to the courier, etc., so I would say it is more or less similar there is not much of a difference.



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**Shashank Palan:** But going forward we could see that it would be better for us if e-commerce starts to increase in our portfolio?

**Shashi Agarwal:** Yes it would, but it is still a long way to work because I need at least some good amount in terms of my volumes are concerned. As of now I would not have that capacity to increase in margins. I would not be able to do that right now. I need at least 10% of my revenue coming from online and the modern retail then I can demand a better margin. Still for me I need to establish it as the better brand.

**Shashank Palan:** And just my second question would be mostly on the macro level. So I wanted to understand like, so the thing is on quarterly basis we have done near about 10% and on r.m. month basis on the topline basis we have done near about 12%, but what we had guided is that we are about 15% is very much comfortable. No doubt even industry has been slow for these nine months, but then how do you see going forward, what could be the issue and how can we resolve this or what is the outlook going ahead on the topline basis per se?

**Shashi Agarwal:** Topline see 11% to 12% definitely be what we have achieved for nine months I am sure that year ended we would be 12% is the minimum, but yes that we would definitely work towards 15% and for the industry as a whole Q4 is always the highest selling order for all the companies and we are working towards this so that we are somewhere around I would say 13% to 14% approximately that is what we are working of.

**Shashank Palan:** If you do not mind can I squeeze a last question. Regarding the ad spend, how do we see that controlling because see for us the ad spend is directly relating to our part, that is the only major expense that we do per se, but if the volumes do not kick in how does it materialize to us, so in that context should we control more ad expense because the volumes are not coming and we are still going at the industry rate doing an additional ad spend how would it help us?

**Shashi Agarwal:** I completely understand and that is one of the reasons we had talked about controlling our ad spend, but as I told you this was a particular reason in terms of Akshay talking about the brief of Dollar as well, which till now he was just talking about the vest of Dollar. So this TVC has increased that particular ad spends here in the segment, but going ahead as we talked about we would want to maintain that levels, which we are talking about and as far as the conversion is concerned, yes conversion does happen, it is not that the conversion does not happen, but yes the level in which it happens we need to understand the cognizant of that and keeping that in mind we will get up, but yes going ahead we have to be vigilant about the advertisement expenditure.



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- Shashank Palan:** Okay madam. I will get back in the queue for additional questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anwed Portfolio Management. Please go ahead.
- Prakash Kapadia:** Sir two questions. Employee expenses are up 22%, 23% in nine months, so could you give us some sense in terms of number of employees where are we scaling versus last year and how should we look at the addition going forward?
- Shashi Agarwal:** If we look into year to date basis expenses had been more or less static, as a percentage to sales they have been more or less staggering around 3% to 3.5% that is what it is here. Yearly numbers has been 2.82% for nine months ended 2017 and nine months ended 2018 it is 3.34%, so the increase has been because number one, we had our new CFO joining in then we are also professionalizing our sales team where we are having the RSM joined in for the particular vertical getting more and more professional people on ward now and specially at a senior level. So this has actually increased the cost a little apart, from that definitely at the junior level and as far as the people on the shop floor concerned they are more or less maintained. There has not been much of an increase.
- Prakash Kapadia:** Mainly at the mid level because of which we have taken.
- Shashi Agarwal:** Mid and the senior levels there has been an increase.
- Prakash Kapadia:** I am saying last few quarters post listing we have seen volatile revenue growth one quarter of high growth, then one quarter of low growth averaging to around 13%, so what are we doing to grow consistently on a year-on-year basis because as a consumer company we should behaving at slightly better and consistent sales growth right?
- Shashi Agarwal:** First of all this particular industry itself is very seasonal such.
- Prakash Kapadia:** I am talking of year-on-year growth; I am not looking at Q-on-Q growth?
- Shashi Agarwal:** Year-on-year growth again even the post listing there has not been much of a deviation. so 2017 we got listed, so now just one results have been for 2018 and seeing 13% growth and before that it was around about 11% to 12% growth there and before that the growths were kind of a little static I would say that.
- Prakash Kapadia:** So by September quarter we grew 25%?
- Shashi Agarwal:** Are you talking about year-on-year?



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- Prakash Kapadia:** Yes I am talking about year-on-year.
- Shashi Agarwal:** I am not getting your question.
- Prakash Kapadia:** Current quarter our revenues are up 5% on a year-on-year basis, in September revenues were up 24%, in June revenues were up 3.6%, in March revenues were up 4%, in December revenues were up 40%.
- Shashi Agarwal:** These are very, very quarter specific now you have to start looking at these, so I would go into November 2016 there was a demonetisation, then coming on we have an onset of GST, the entire economy is having its own dynamics for the last two years where you are getting impacted all the industries are getting impacted for that, so definitely there would be some changes in terms of the quarterly growth are concerned and more so ever my industry is again very, very cyclic in nature. For example December quarter is completely dependent on climatic conditions, you have a colder winter you find thermal going well, the winters are mild you asking is drop, and as it is we do not have your sales for innerwear and then generally the distributors do not take up stock fall.
- Prakash Kapadia:** We had a good winter right, winter this time was fairly good?
- Shashi Agarwal:** That is the reason we are having a better results, my numbers have been better in terms of my thermal growth are concerned it is around about 23% for nine months ended.
- Prakash Kapadia:** And based on the pilot by when do you think over the next quarter or so we will have more clarity to take that to other regions going forward and what is the roadmap is it one year, two year or currently we have just signed for the pilot and once the pilot is accepted then we sign a formal contract with the consultants how does it work?
- Shashi Agarwal:** Yes, so that is how it is work with the consultants is that we expect the pilot to be over in another one-and-a-half to two months, so by March end or April mid I will be in a condition to know that how the pilot has faced out, what is the outcome, how is it going to benefit the company so once we have established that this is the way to go forward, is then when we sign the cancel and final agreement with them, so we plan to scale it up pan India to understanding the entire pros and cons and then taking it up from there.
- Moderator:** Thank you. The next question is from the line of Nirav Savai from JM Financial. Please go ahead.
- Nirav Savai:** If we exclude this thermal growth then what is the growth if you can have a like-to-like comparison excluding thermal for this quarter?



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- Shashi Agarwal:** That is the number, which I have to work on Neerav, but then again as I told you this particular quarter is a season where you do not sell anything other than thermal.
- Nirav Savak:** Yes, this was an exceptional quarter when winter was very good so if we can just know that apart from thermals how is the rest of that?
- Shashi Agarwal:** That is the number I have to work out again and because my total calculation includes thermal thing to it so that I have to exclude and then work it out.
- Nirav Savak:** And another question is about this margin improvement where do we see this margins going on in, in the next one or two years because if you have seen for the first nine months it is roughly about 13.8% do you see this improving next year and what is the guidance if you can just help us out of that?
- Shashi Agarwal:** This year definitely I have been talking about 13.5% to 14% margins.
- Nirav Savak:** So you see about last year it was roughly about 12.0% and you say about 14% for this year?
- Shashi Agarwal:** So as I told you the numbers have been revised here because of that Ind-AS analysis
- Nirav Savak:** Yes right.
- Shashi Agarwal:** So 12.9% now becomes 13.5% approximately, so 14%, 14.5% is what we are talking about, 50 to 75 bps I am working on that.
- Nirav Savak:** So roughly about 50 to 75 basis points for FY2020 and you see this continuing going forward or you feel that this is?
- Shashi Agarwal:** That is FY2019 and going ahead again I would see another 75 bps going up.
- Nirav Savak:** 75 bps for the next year you are saying and what was the key growth driver for that do you think that price rises is something where you will target?
- Shashi Agarwal:** There has been increase in terms of the price mix, there has been increase in the prices, and so all these are the elements, which going to help me that is the key driver that is what we are focusing on right now.
- Nirav Savak:** So that is where you see the margin improvement would be coming from and do you continue with the guidance about 15% kind of growth every year or you feel that, that might vary depending on?



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**Shashi Agarwal:** Supposedly I end up with 13% or 13.5% growth this year or 12% growth this year I am sure that this is the way we have been working with or we are exploring the pilot I am sure that the numbers would increase in the coming year. So I would continue with the next five years as we have been speaking about that five years band in terms of the overall and 15% capital growth.

**Nirav Savak:** Okay madam that is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Jagvir Fauzdar Singh from CEAT Market Capital Please go ahead.

**Jagvir Fauzdar Singh:** Yes Lux has come out with the numbers yesterday, so raw material cost is down in the case of Lux and it is up in the case of dollar so why so much difference in the raw material cost?

**Shashi Agarwal:** This is simple, I would be able to answer the question for my company I would not be able to answer on behalf of Lux Industries Limited and for myself if I have to talk about my raw material cost I would see a consistency in terms of my raw material cost is concerned for over the quarters around about 40% as such for myself, but I will not be able to take it for the other companies Sir.

**Jagvir Fauzdar Singh:** Okay, thanks madam.

**Moderator:** Thank you. The next question is from the line of Himanshu Nayyar from Systematrix Group. Please go ahead.

**Himanshu Nayyar:** Madam would you be able to share the free cash flow number for the nine months?

**Shashi Agarwal:** This time I had some cash flow coming in from my operating activities around about 31 Crores whereas I had invested around about 9 Crores in terms of capital asset building, so I would not say the capital asset kind of replacement of my certain existing machineries or addition of certain assessing plant required certain new machineries to be replaced there submitting machines taken up, so these kind of stuffs required around about 9 Crores there, 4 Crores was invested in terms of the Pepe we have been talking about the investment: of Pepe, till now for this particular year we have invested another 4 Crores and then again kind of this my long-term borrowings I had brought it down by another 40 Crores, which was repaid and the short-term borrowings have increased around 60 Crores. So overall I would say operating cash has been 31 Crores.

**Himanshu Nayyar:** And finally on our inorganic plants what is the status have been able to, have we have been able to shortlist any potential acquisition candidates or that is still work in progress?





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- Shashi Agarwal:** We will work around that Himanshu last quarter very, very aggressively, but after certain findings we decided not to go with that company so the hands is still on working for the right company with the right valuation to the company and to the investors.
- Himanshu Nayar:** Got it madam. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.
- Prerna Jhunjhunwala:** I would like to understand the impact of decline in cotton prices on our numbers. Cotton prices have corrected in the last one, one-and-a-half months, so what is the impact of it in this quarter and going forward?
- Shashi Agarwal:** Prerna as of now, as you rightly said that the prices stabilized about or started declining around about January, so right now we are just keeping the prices as is not passing it on across, but still we continue declining and this is a weaker impact then we might have to pass it on to the distributor in the channel, but just one, one-and-a-half months I do not see much of the impact so yes I would see a little growth in my margins, that it is kind of a very, very likely to give concrete answer as of now because it will completely depend how they clearly tends up on.
- Prerna Jhunjhunwala:** But what kind of inventory that we had at the end of 3Q and how are we building it up in current quarter?
- Shashi Agarwal:** No, so we did not pileup much of cotton this time, so generally what we do is by the December end we buy a lot of cotton and the yarn because again it is a cotton season and do the spinning activities as well so we have not done that, but yes right now we are trying to build up a little of inventory, so that we can get the benefit.
- Prerna Jhunjhunwala:** Madam second question what will be the total volume growth and the price growth for the quarter in totality and what kind of price hike if at all or price cuts we have taken in this quarter?
- Shashi Agarwal:** Not much, so my quarterly growth has been in value is 8.5, which is supported by 3% is volume, the rest came in from price and this would be because of the reasons I sold more of volume of my thermal so this is basically a price increase in terms of the product mix.
- Prerna Jhunjhunwala:** Okay product mix change.



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- Shashi Agarwal:** Only 3% gets contributed by thermal for this quarter and for this reason I am talking on quarterly basis.
- Prerna Jhunjhunwala:** Right madam I understand that end volume growth of 3% is also driven by thermals only?
- Shashi Agarwal:** Not really so I have a volume growth in Missy, I have within Bigboss, I have within my regulars, and I have within Thermal, which has been negative to extent by Force NXT and Champion.
- Prerna Jhunjhunwala:** Madam what would be the volume growth in Bigboss and Regular?
- Shashi Agarwal:** Bigboss growth volume is 8% and regular has been 4%.
- Prerna Jhunjhunwala:** And madam outlook as you shared but that for this year it would be around 14% growth for this year correct, if I heard it correctly?
- Shashi Agarwal:** Yes, 12% to 14% is what we are looking at.
- Prerna Jhunjhunwala:** And on a long-term basis?
- Shashi Agarwal:** This 15% CAGR five years so including this year for the next four years I would say again the CAGR would stand around 15%.
- Prerna Jhunjhunwala:** And any guidance on margin improvement and where it will come from over the next five years where we are looking at?
- Shashi Agarwal:** Margin improvement definitely initially would be a product mix change, which we can see it happening Missy is increasing, next we need some time, but again Force NXT would help us improve the margin there number one, so that is our prime thing and apart from that till rationalization of certain expenses, which we have been talking about for the next I am talking about the next five years horizon definitely advertisement expenses would be one of them. Incentives is something again we need to kind of look around that how we can rationalize that again. Not immediately again in the next two, three years horizon is what we would have to work that out the budget around it again. Right now it is currently linked as a percentage of sales that needs to go away. These are the two basic parameters if we are look into my balance sheet there the bigger numbers coming, my expenditures goes there, rest of them are kind of rationalized. If I am able to take care of these two I think so I would have a better balance sheet in terms of the margins.



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- Moderator:** The next question is from the line of Shiva Kumar from Unifi Capital Private Limited. Please go ahead.
- Shiva Kumar:** Just wanted to clarify on the gross margin aspect so the increase that we see year-on-year is it entirely driven by sales mix change or anything else?
- Shashi Agarwal:** This particular quarter Shiva it is more of the sales mix.
- Shiva Kumar:** And given that there has been an extended winter, which panned out over Q4 should we expect the gross margins to kind of sustain in Q4 also?
- Shashi Agarwal:** No Shiva here the tragedy out here is that we go with a fixed kind of a production. The kind of the volume you are going to produce the thermals is pre decided end of June and the entire three month cycle by September end you are ready with the stock. Because it really takes it, it is a long processes, it takes around about two months to produce the thermal product. So hence whatever is produced is produced and we sell it off. Post that we do not produce and we do not dispatch, for us the last billing of thermal happens around about January 15, 2019, we do not bil. beyond that. So with any few bills trust me the distributors not going to pay for that he will keep it on hold and stuff like that. What about extended winter is there it might benefit the distributor to pass it onto the retailer, but not to the Company. There is a kind of fixed billing cycle for us, fixed production cycle, which we follow the additional or extended winters do not do a single point rather it hamper us because my sales for innerwear does not come in, so not good for me.
- Shiva Kumar:** And Shashi can you give us some sense as to how the penetration in terms of number of retail touch points you have been able to access has increased over the last nine months?
- Shashi Agarwal:** Retail touch points as of now we were talking about somewhere around about 95000 outlets so once we started talking with these consultants we were working around it, so I would say there has been increase, but not very substantial increase that the number has gone beyond multiple points because what I have understood that we started talking to these consultants it is not about that okay that particular retailer was with you in the billing system, but how consistently was he billing with you is more important. So I would right now hold onto those numbers rather than just give your number and say that okay these are the points, which we have touched right now my target is to make sure that whatever retailer I have in my ambit I need to build them regularly consistently on a monthly basis.
- Shiva Kumar:** Got it. Thank you.



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- Moderator:** Thank you. The next question is from the line of Shashank Palan from Rockstud Capital. Please go ahead.
- Shashank Palan:** I wanted to ask this as you mentioned you cannot give any coating numbers for Pepe I just wanted to understand briefly in subjective terms how is it going for us after we have infused money and what is the outlook subjective as compared to as we have placed at above Pepe Industries and their products so how do we see it panning going ahead.
- Shashi Agarwal:** Currently Shashank what we have done is we launched the product of Pepe in southern region that was the major cities that was Bengaluru, Chennai, Hyderabad, and this particular quarter we were working in terms of taking it deeper to penetrating the southern market, as we have already started working with the team to take the launch in northern and the western zone. So west and north is the second priority for us probably we should be able to launch the product there by the end of the March or early as April that is our target right now. Acceptability people like the product it is around about the same as you rightly said it is little above Jockey and notch ahead of Jockey. Since the fashion trend is in little playful little fashionable we expect a good response people, positive feedback have been received from the retailers and the consumers as well to whom which we have been able to touch this and small survey was ruled out. So we are very, very hopeful in terms of launching this product, but that the number speak once we are about to close the year we will have the numbers and then we can talk in terms of value, the numbers are concerned.
- Shashank Palan:** Definitely we will have better margins in Pepe compared to what any of the dollar products would make right is that understanding?
- Shashi Agarwal:** Definitely because here the multiples are higher than what the demand outflow in Dollar industry, but just to let you know that this would be coming as an kind of an comprehensive income it would be not be a part of, so whatever the profit could be 50% of it would be getting added to the dollar industry balance sheet as a comprehensive item.
- Shashank Palan:** Yes, but 50% was slow in part because you have consolidated right?
- Shashi Agarwal:** Yes absolutely but I will be too hopeful if we are looking for a positive this year Shashank because six months we had there without any sales we made the sales have only started post October. So I would not be very hopeful in terms of positive number is flowing in from Pepe this particular year.
- Shashank Palan:** Okay madam and the other thing that you had mentioned that for kicking in and getting that product mix actually worked for us and expanding our margins we were targeting various



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MBOs and direct stores through which whom we can supply and distributor would not be a part, how has that turned out and what do you see going ahead because I think you gave names to Amazon US and two more names, but in terms how is it going with bigger ones that you are telling?

**Shashi Agarwal:** So we have supplied this Dmart, we supply to Brand Factory, Reliance Trend, More, Unlimited, we have added India Family Mart, so these are in terms of the large finance stores are concerned. As far as the online platforms are concerned we have literally everyone in India, US Amazon was the latest ad where basically Dollar product would be showcased when if it is there on the US side you will see US Amazon would have post next for us, so this is kind of a split, but if you are trying to ask me split in terms of the volume in each particular platform or each particular large format I do not have that data readily were available we can get connected to me offline and then we need to talk about it.

**Shashank Palan:** Yes, thank you for that, but I would like to ask you that overall you said it is 3% but this 3% you see it going ahead you said modern trade is 3% right that includes MBOs?

**Shashi Agarwal:** Sorry I did not get your question. Shashank.

**Shashank Palan:** You said 3% is modern trade, which includes e-commerce and modern trade is 3% so that includes MBOs also?

**Shashi Agarwal:** MBOs does not come into these modern retails, so when you see large format stores these stores, which we are talking about 3% includes large format store and e-commerce and I am not including any of the MBOs here in this particular bracket.

**Shashank Palan:** So I was trying to get whether MBOs have percentage of revenue has that increased or do we see it going forward going to increase?

**Shashi Agarwal:** MBO is 93%, 7% of my business in that way I am getting my business increment from 3% is very smaller number to impact my total revenue growth.

**Shashank Palan:** Okay madam. That is from my side. Thank you.

**Moderator:** Thank you very much. As there are no further questions I now hand the conference over to Ms. Shashi Agarwal for closing comments.

**Shashi Agarwal:** I thank everyone for taking time out and joining in understand the results of Dollar Industries Limited. Thank you all for the participation and have a good day ahead.



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**Moderator:**

Thank you. On behalf of Edelweiss Securities Limited that concludes this conference.  
Thank you for joining us. You may now disconnect your lines.