18.06.2018

The Secretary,
BSE Limited,
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai – 400 001

Dear Sir,

Scrip Code : 541403

Reg: Transcript of 'Earning Call' on 30.5.2018

A copy of the transcript as received from Edelweiss Securities Limited, being the organizers of 'Earning Call' made on 30.5.2018 at 3.00 p.m. on the financial results of the Company for the Quarter and Year ended on 31st March, 2018 and other matters is enclosed.

This may please be informed to all the concerned.

Please acknowledge the receipt.

Thanking You,

Yours faithfully,

For Dollar Industries Ltd.

Abhishek Mishra
Digitally signed by Abhishek Mishra
Date: 2018.06.18 15:27:20 +05'30'

Abhishek Mishra
Company Secretary

Encl : As above

Edelweiss
Ideas create, values protect

Conference Call Transcript

Dollar Industries

Q4FY18 Results

May 30, 2018 | 3:30 p.m. IST

Corporate Participants

Mr. Vinod Kumar Gupta
Managing Director

Ms. Shashi Agarwal
Senior Vice President – Corporate Strategy & Investor Relation

Questions and Answers

Moderator: Good day and welcome to Dollar Industries Q4 FY2018 Earnings Conference Call, hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nihal Jham from Edelweiss Securities Limited. Thank you and over to you!

Nihal Jham: Thank you Janice. Good afternoon to all. Welcome to the Q4 FY2018 earnings conference call of Dollar Industries. Without any further delay, I will hand over the call to Mr. Vinod Kumar Gupta for his opening remarks. Over to you Sir!

Vinod Gupta: Thank you Mr. Nihal. Good afternoon ladies and gentlemen. I would like to thank everyone for joining us today for earning call of Q4 2018 and FY2018 of Dollar Industries Limited. The results have already been published and put up in Company's website and exchange website as well. The presentation on the same has also been shared with you.

As we all know that one of the biggest impacts in this sector is the introduction is GST and this sector is unorganised with unorganised players to come up to the mark after initial demand. The demand in the auto industry is on the rise as the disposable income of the people is increasing. The shift from economy ranges to premium segment is referring to change in the consumer behavior. The aspiration of the younger generation is rising and this will help us to grow in the premium segment in the years to come. Whereas the shift of unorganised to organised also will help us to prove in the economic segment.

This will give a boost to the company's growth; however, the growth of the company has remained sluggish from Q4, which Shashi will talk to you later in detail. I am happy to announce that the company has received in principle approval from Bombay Stock Exchange for listing and shortly it will be trading on BSE as well.

Now I will update on the JV company, the joint venture with Pepe Jeans, which has started its operations in Bengaluru. The team has already been finalised. This is all slated to start the production. The vendors are also being shortlisted and finalised by the team. It also gives me immense pleasure to announce that Ms. Shashi Agarwal has been promoted to Senior Vice President, Corporate Strategy. Going forward she will be handling the M&A activities and Investor Relationship. We have appointed Mr. Lalit Singh Sharma to take over the role of CFO to head the finance and accounts department.

I shall now ask Ms. Shashi Agarwal to talk about the financials of the company.

Shashi Agarwal: Thank you Sir. Good afternoon everyone. I would just give a brief synopsis of the numbers and then I will open the forum for the Q&A.

The total revenue for financial year 2017-2018 stood at 985 Crores vis-à-vis Rs.887 Crores as compared to financial year 2016-2017. There has been an increase of 11%. This increase has been contributed by 9.7% in volume and 2% in value. The EBITDA for the year 2018 stood at 1.8% as compared to 11.4% in the previous year.

Now about the quarterly numbers: the revenue for Q4 2018 stood at 298.39 Crores an increase of 4% as compared to year-on-year quarterly numbers. The EBITDA for the same period stood at Rs.33 Crores that is 11.06% versus 42 Crores that is 14% in Q4 2017.

The working capital cycle, the average debtor days stood at 100 days as on March 31, 2018. Inventory was approximately 105 days and creditors stood at 42 days. So it is 164 days of working capital cycle. The ROCE of the company is 21.4% in FY2018 as compared to 15.86%. Now I will touch about the brand wise performance of the company. The flagship brand Big Boss which stood at 42% of its total sales value. The growth has been around about 10% in this particular segment as compared to the last fiscal year. Missy Dollar both stood at 6%; however, the growth for Missy stood at 31%, Thermal has been 12%.

Force NXT revenue stood at 2% whereas the growth for the Force NXT segment has been 43%. Force Go Wear the contribution was 7% whereas the growth for the Force Go Wear segment has been 37%. Champion has not been infocus segment, so the contribution came around only 1% with a growth of near 3% there. The economy segment we could gather some traction due to the GST migration that is again a shift from the organised to unorganised. The contribution being maintained at 35%; however, the growth came in at 13% share. Modern retail we have been able to garner just about 35 Crores that comes up to 3.5% of the total revenue for us.

Exports has been a little sluggish again this year, which was around 57 Crores approximately 7% as compared to 8% last fiscal. Mr. Gupta did talk about the sluggishness in Q4. There have been a number of reasons for which we could not get the numbers, the EBITDA numbers very high. The only reason being the increase in the inventory this particular quarter we had an increased reduction and also we have talked of lot of raw material that is cotton and the yarn envisaging an increase in price. This has actually pulled up our cost of production and the drop in charges.

Another reason for decrease of EBITDA for the quarter has been the under provisioning of the distribution expenses in the previous quarter. There was also some decisions in terms of selling expenses in incentive to the tune of 8 Crores, which has been accounted for this in this particular quarter. This has pulled down the EBITDA for the quarter in turn impacting the overall EBITDA as well.

If you really look at the numbers, there has been growth in terms of EBITDA is concerned on a yearly basis; however, there has been a little degrowth for the quarter is concerned. Now I will open the forum for the Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We will take the question from Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia: Thanks for taking my question. If I look at our history of six seven years, Q4 typically is the best quarter for us in terms of sales. In your opening remarks you did mention about there has been a tepid quarter, so why has the sales growth not increased, because if I look at the sales growth they are just up 4% on a year-on-year basis and your gross margins partly you mentioned and if you could also give us some colour on the underprovisioning of expenses? If you adjust all that, what would EBITDA have been in Q4?

Shashi Agarwal: I will take that question. Here my Q4 has been a little sluggish. If I really look at what we have targeted, I would say it is not a complete impact. We have not really gone down on sales.

Prakash Kapadia: Growth has been just 4% because typically you know this is the best quarter?

Shashi Agarwal: As compared to year-on-year quarter numbers the growth has been 4%. So we would be targeting it round about a 1000 Crores turnover this particular financial year and if I have to talk about the Ind-AS adjustments which has just come in this year because it is a very first way of accounting way of Ind-AS and there we have to net off some of the commission expenses and the selling expenses from the sales so comparatively numbers if you look at that would be round about each year the revenue of Rs.900 plus from the previous year where it is currently the growth number, the PAT is 887 Crores. So round about 13 to 17 Crores of my sales have been net off because of Ind-AS. Similarly, I had a net off of my sales because of Ind-AS. Some of the impacts came out of this quarter because there was a major jet in terms of my selling expenses, which I had to net off from my sales itself. Hence it is in cutting my EBITDA and sales both together. So there was underprovisioning of Rs.8 Crores, which has to be taken in this quarter at one go.

Prakash Kapadia: That was on account of what pension cost, interest rate changes, which head was this under provisioning gone?

Shashi Agarwal: This was both incentives and commission put together.

Prakash Kapadia: That was underprovided in Q3 or across nine months?

Shashi Agarwal: Across nine months Sir I would put it that way. That is without the retention.

Prakash Kapadia: How does that happen? How does it skip your attention? We are a responsible company right?

Shashi Agarwal: That would not be the right thing. I would put it this way that this should have been well thought before and this went unnoticed on our side. From the auditor's aspect it happened, we have taken care in the financial year in the final auditing numbers.

Prakash Kapadia: Typically consumer facing business like ours such volatility in revenue should not come up because post our listing, if we see over the last four to five quarters what we have seen is one quarter we are up sharply and then there is tepid quarter, so what are we doing to bring more creditability to our business because in a consumer business such kind of volatility one high growth, then tepid quarter, so what are we trying to do and how will this change?

Shashi Agarwal: Sir the point is very well taken Sir. I completely agree with what you say. This is not accepted and this is not the answer that I should be previously formally as a CFO and currently as a Senior Vice President and Relationship Manager I should not be speaking this language, so we have started kicking in action from our side that is precisely the reason we have got a new CFO in place to take over the role and me very specifically moving on to the energy division currently invested so that we have distributed the work load amongst since there are more professional people out we have in now, number one. Number two we are working on an internal restructuring transition and, etc., so we have also appointed some of our consultants who are taking care to work around the framework internal guidelines. These kind of commitments happen going forward, so these are something, which the management is highly and these are the shortcomings, which we have and is taking action on terms of appointing the requisite consultants and advisors and putting the framework in place.

Prakash Kapadia: We will have a detailed separate offline discussion on that.

Shashi Agarwal: Absolutely Sir. I will be glad to.

Prakash Kapadia: It does not aspire any confidence by these words and lastly on the sales target for the year what are the trends we are seeing in terms of innerwear unorganized to organized shift should you not we grow faster just because if the industry is growing at 10% to 12% we are not evening growing at industry growth rate plus if you are saying there is a shift from unorganized to organized players plus we are talking of premiumization, so all this tits and bits has to add up to much higher sales growth for us, so why is it not coming? I am not able to understand that?

Shashi Agarwal: To put your remarks in terms of not growing at the industry rate, the industry has been growing at 12% and we are at 10% to 12% and we are also there plus percent share, so more or less of industry apparent so that that we are not growing to the industry standards. We are growing while the industry standards are something, which we aspire to be at. That is one thing, which we are working on definitely. We are keeping some time to establish. Missy also we expected number of 50% we could not achieve that. We are completely agree. The EBOs that we are planning and discussed model, which we are planning to put in place that has not happened in a timely manner, so this is one thing, which we have taken ahead. We have to do this and it is a top priority to have them in place and very shortly you will see some EBOs coming up. We believe this will help us to boost our sales both in the EP segment Sir.

Prakash Kapadia: On the unorganized players if market share has to shave that market share to translate to higher growth given that today large portion of our sales are still at the mass or the entry level market, so why is that not growing faster if the shift is happening from unorganized to organized players?

Shashi Agarwal: The economy definitely we have grown at 13% Sir. So that shift is happening and we already talked about with the GST that the shift would only happen once E-way bill comes in place and in two months, the e-way bill will come. The net impact is going to reflect further in this particular quarter, but in Q4 if we see that shift has reflected in a 13% growth in economy ranges, but the shift of organized and unorganized typically at a very high number would really happen in the Q1 because they would have started. It is just two-month affair, which we have and these things will now start as we said that the organized player are going to not get rewarded for such a long time. Now we definitely would have the impact coming in four us.

Moderator: Excuse me this is the operator. I am so sorry to interrupt, but requesting you to please join the question queue for your followup as we have people waiting for their turn. Thank you very much. We will take the next question. It is from the line of Ritesh Chedda from Lucky Investment. Please go ahead.

Ritesh Chedda: Madam I still could not get the comment for lower growth in Q4, so what is your comment I actually could not understand what you wanted to indicate and in your past communications until March?

Moderator: Excuse me Mr. Chedda sorry to interrupt. Requesting you to please use the hand set mode as we are unable to hear you clearly.

Ritesh Chedda: I was unable to your comment for the slower growth in Q4 what actually is the reason for a slower growth?

Shashi Agarwal: The slower growth in terms of the EBITDA is we talking about.

Ritesh Chedda: Revenue madam?

Shashi Agarwal: Revenue, so to say with the implementation of Ind-As, we have to net off some of the commissions, etc., from the spillover, so that has happened and in the Q4 what happened was there were certain expenses, which were accounted for in the previous quarter for which I had to take provision in this particular quarter. There have been some spillovers, so once I do that my selling commission my EBITDA definitely falls down and there will be selling commission, I also had to knit it from my sales for the requirement of my Ind-AS.

Ritesh Chedda: That Rs.8 Crores number what you referring to is that the Rs.8 Crores number, which is the commission plus incentive, which is net off against the sale?

Shashi Agarwal: Yes.

Ritesh Chedda: Accordingly the EBITDA is down by Rs.8 Crores?

Shashi Agarwal: Yes Sir.

Ritesh Chedda: Now even if you adjust Rs.8 Crores in your revenue still your revenue growth will not be double-digit Madam, so what explains?

Shashi Agarwal: This Rs.8 Crores is one of the items, which has impacted my EBITDA. There are other numbers, which are still as a commission is there, which has gone up and being in there.

Ritesh Chedda: Madam I am asking on the revenue first? I am not asking you on the profitability? On the revenue side even if I adjust the Rs.8 Crores number the growth number is not double digit? Growth number is still single digit? Is there any other reason other than this, which you want to highlight for a slower growth?

Shashi Agarwal: Definitely my export has been longer a little this time. I have talked earlier looking at since we have 7% exports and my modern retail which we were looking at 4% to 4.5% has been only 3.5% so this number has impacted me overall. That is there.

Ritesh Chedda: You should have known this until March communication right? Until March when you are communicating, you are communicating plus Rs.1000 Crores of revenue? I think you should have known by that time?

Shashi Agarwal: Sir I completely understand. If you really undertake the numbers that is 985 and I add Rs.8 Crores here that gets me Rs.993 Crores and this is this Rs.8 Crores, which has not been provided for in the previous years until this quarter and now I will also talk about my quarter numbers where my selling and commission, which as per Ind-AS practice has to be netted off to my sales and if I add those Rs.20 Crores plus that will take me beyond 5000 Crores.

Ritesh Chedda: Sorry what you will add?

Shashi Agarwal: My selling commission, etc., which gets netted off in my sales in this practice, there are several selling commissions especially the cash discounts part. They have to be netted off to the sales immediately. In previous years, in I-GAAP years, we were taking that as my selling expenses below the line. If you really look at the number of Rs.900 Crores because last time my I-GAAP reported number was Rs.905 Crores whereas comparison of March 31, 2017 is looking at 887. Well I have a difference of Rs.18 Crores. During that I have this Rs.10 Crores to Rs.18 Crores this year on your selling commission 985 plus 8 plus 80 takes me beyond Rs.1000 Crores.

Ritesh Chedda: What explains the rise so 18 last year was cash discount or it was cash discount plus incentives plus commission?

Shashi Agarwal: That was cash discount Sir.

Ritesh Chedda: What explains the rise in inventory by Rs.80 Crores this year and rise in debtors by Rs.50 Crores because you have Rs.100 extra sale and there is a Rs.50 Crores extra debtors and you have a Rs.80 Crores higher inventory on a Rs.100 Crores higher sale, so what explains this two line items?

Shashi Agarwal: Inventory as I told you that is that we have been stocking lot in terms of my commission and I have also increased by stock of raw material that is yarn and cotton, because we were envisaging that their prices will be going up further. If I have to breakup inventory into raw material and finished goods my raw material is 54%, which traditionally generally I keep it at 45% level. It is the other way round 55:45 ratio for finished goods versus raw material whereas number has gone just the opposite, so I have stocked up raw material and precisely the reason I have used up whatever inflow of refund has happened from the promoters last December month. That has been used up into the inventory. Number two definitely the debtors are going up because of the same problem, which we have been talking about that the flow of fund in the system, which we distributed on retailers have not improved and we are expecting this to continue for some time and we will see a slow movement at least for the next two quarters in terms of the collection from debtors. That is something, which we have been working about and talking about, but I think so we have to admit that it would still take time to get the entire fund and move the debtors a little down.

Ritesh Chedda: Lastly what is your revenue and margin outlook for FY2019?

Shashi Agarwal: Sir I would try to be conservative here, but before being conservative I would like to talk about certain exercises, which the company has undertaken. We have been engaging that one the consultants in terms of mapping the entire end to end from production to supply chain process, so that how can we improve, with our retailer's number one. Number two how can we shorten the entire production to supply to supplier or finished goods to my retailers how can we shorten them. How can we easily share insufficiency in terms of the number of turnover they did not have with the existing working capital? All these things are being worked out with one of our consultants and we are very soon to get started on the activities here which we have stretched for ourselves we are able to achieve these numbers. Apart from the regular growth, which we should be getting anyway we are expecting another 8% growth minimum on this particular segment as well. Definitely we are still very bullish on our revenue growth numbers.

Ritesh Chedda: 8% over your normal, so if your normal growth was 12% you are saying 8% plus 12%, 20%?

Shashi Agarwal: Yes Sir that is why I am saying if we are able to implement everything within the timeline, I am still bullish with my revenue growth number?

Ritesh Chedda: Thank you.

Moderator: Thank you. We will proceed to the next question. It is from the line of Himanshu Nayyar from Systematix Shares. Please go ahead.

Himanshu Nayyar: Thanks for taking my question. You do explain on the revenue front that there was this Ind-As impact, but if I see the numbers of peers, it clearly shows that we have lost market share quite significantly, so can you share any specific segment where we have lost here or it is general across the board that we have seen this sort of weakness in revenues?

Shashi Agarwal: Sir we were talking about kind of 50% growth where we have achieved a 12% growth this particular year on our numbers. I think so the numbers that we had worked out in terms of 50% I was little bullish in terms of Force NXT and Missy where we were targeting a 50% and 100% growth where we have achieved only a 43% in Force NXT and % in Missy so I lost on revenues in that segment. Because I would not say we were kind of 10% to 12% is what we were looking at we got there. The immediate fact to really talk about is the expectation from the Force NXT have not been that encouraging as we were looking at and the reasons were because we were not able to get our EBOs across is within the time, which we were talking about, so the next reduction for the company is to work on the EBO and the kiosk model so that we can work out sometime and get that market share and I am sure there has been certain consolidation also with our competitors, so those numbers would definitely be a little higher as compared to us.

Himanshu Nayyar: Secondly on the margin front even if I adjust for this Rs.8 Crores number that you are talking about are other expenses seem much higher than normal, so can you give a rough I just wanted to understand is there any one off sitting in there or if you can just give the broad heads that we have under other expenses? Have we increased our ad spends or promotion spends or any other specific category that you would want to highlight?

Shashi Agarwal: I have a little jump in terms of my subcontracting expenses. They are at 1.5% approximately, which is sitting there. Selling and distributions, I have three heads. Definitely manufacturing expenses a little jump. Selling and distribution the best part is I have been able to control there. Had this 8 Crores not been there, there would have been a decent decline. Advertisement and publicity just very typical to my advertising expenses where last year it was 9.6% and this time it comes down to 8.83%. Overall my other selling and commissions, etc., which was 11.47%, this time again it is 11.46% that is in tandem. Other administrative expenses there have been a little jump because we have been engaging this consultants and advisors there, so there has been a little jump there. These are kind of one offs, which will happen 1.872 to 2.12, which is 50 basis points there. Overall we have been able to get certain savings in my cost of material consumption is concerned. Last year we were around 44% plus. This year we are coming at 41.23%. Employee expenses have just gone up little 2.45. It was in the last year. This year this is 2.68%. Finance cost we had savings here from 2.23%, we have come down to 1.82%. Depreciation also had gone for us. If I really look at the numbers, we have been pretty much consistent only a little jump in other administrative expenses because of professional charges going a little higher, which the company did not spend in the previous year or previous years before, but I think those will be a little one off kind of expanses rather than be recurrent in nature.

Himanshu Nayyar: Thanks for that. Just the final question. Just wanted your outlook if you can share if you can quantify what you are targeting in both your premium offerings one is Force NXT and one is the Pepe JV?

Shashi Agarwal: So Pepe JV Sir it is as Mr. Gupta updated we are slated to start the production and we should expect our production to be on shelves by Q2 of this year. The business plan drawn up is for around about Rs.30 Crores for this particular year, so that is number one we are looking at Rs.30 Crores from Pepe JV, but that will not add up to my topline because it is a 50:50 JV that only minority interest would come in for us as this time we have put a loss of around about 38 lakhs in this particular financial year because most of these expenses, which we have book at a loss of 38 lakhs pertains to preoperative expenses, so going forward definitely we expect it to be just breakeven in terms of EBITDA or may be just below breakeven. As far as my premium costing are concerned Force NXT looking at the numbers, which we were talking about 100% and it has really come up to 41% to 42% for my growth. I would definitely want with the EBOs coming up, I would start it at around about 80% growth in the Force NXT and Missy definitely we have to do that in terms, we are looking at a 50% annual growth again though I know we would not able to achieve that, but again EBOs and kiosk that is something, which we are targeting, we should be able to get 50% there.

Himanshu Nayyar: All right Madam. Thanks a lot for that. Thanks.

Moderator: Thank you. We take the next question from the line of Pratik Roy from Stewart & Mackertich. Please go ahead.

Pratik Roy: Madam there are a few questions regarding first of all in the volume front can you please tell me the volume growth percentage in terms of percent QoQ and year-on-year basis?

Shashi Agarwal: Year-on-year basis 9% volume growth for me Mr. Roy and QoQ numbers may be volume I do not have the piece of paper ready with me. May be I will take it up separately with you whenever we get a call, but more or less my numbers that has been 9% on a year-on-year basis for the financial year.

Pratik Roy: Madam can you give some light on what your cost of material consumed in terms of last year same quarter, it is almost Rs.65 Crores last year same quarter and now it is 130 Crores almost, double, so any different specific reason we had this much jump in raw material cost. In terms of other peers, they have raw material costing almost in line; however, your raw material cost has doubled, so can you give some explanation on that?

Shashi Agarwal: Absolute value definitely Mr. Roy, 55 and 13 it is more or less double that if you look at percentage it is just a 5% jump in terms of the cost of raw material consumed is concerned on quarter basis. Overall basis, definitely I have been able to say, but this particular quarter as I already said I had stocked up my finished goods so the production has been a higher as compared. The yarn prices are also going up gradually if you see that the cot price moving ahead, so there is some price will impact also in this particular quarter for which you can impact jump cost of material consumed.

Pratik Roy: Already there is a finished goods in your stock and you can?

Shashi Agarwal: Yes, the stock has really gone up know, 80 Crores of the stock has been up.

Pratik Roy: So, you encash this in the next quarter also?

Shashi Agarwal: Yes, the benefit would accrue to me in the next quarter because the prices are going up. I have yarn on the finished good of the previous prices that will help me grow.

Pratik Roy: One thing that in last two months, the revenue and the reason of asking the question that this is base quarter and there is a 4% growth in topline so if you can give me the trend is reversing so what is the expected sales in this two months in FY2019, is the trend going good enough so that we can expect a very good positive number in FY2019, so what is the trend down these two months?

Shashi Agarwal: This month on month it is little difficult for me to share the numbers here.

Pratik Roy: I am asking an approximate idea. Is there a positive sales is going on?

Shashi Agarwal: I think it is positive. If you really look at the numbers there has not been a degrown. It is just had the EBITDA of the Q4 has been a little down, which is may be creating your apprehension right base, where the numbers are down, otherwise there has been growth in terms of revenues are concerned, but what I would is that there is no negative degrowth, it has been positive, the expectation I would presently put that, so that is the reason I said 12% I would take a normal growth and there is my team working on to my mapping of the entire processing of production in supply chain and I am expecting another 8% growth on a yearly basis, so by the time I ends 2019 I should have certain number is page to talk about.

Pratik Roy: Last question, I missed one thing that you have mentioned that in the economic brand can you please repeat the growth rate what you have achieved this year in economic brand?

Shashi Agarwal: 13% is Force Next.

Pratik Roy: And for Force Go growth rate?

Shashi Agarwal: So, there are two brands Force Go that is 14%, whereas Force NXT has been 43%.

Pratik Roy: And conclusion to the Force NXT revenue what is the percentage contribution?

Shashi Agarwal: That is 2%.

Pratik Roy: 2% right?

Shashi Agarwal: Yes.

Pratik Roy: That is it from my end. Best of luck for the coming quarter.

Moderator: Thank you. We take the next question from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

Shekhar Singh: Madam, did you mention that next year you will be growing at around 20%?

Shashi Agarwal: Yes, I would say, so I would break it into again two parts. Number one is my regular growth, which has been 12% this year and the second part is that I am trying to implement in and appoint consultants who are going to map my entire production supply chain value for me with the distributors as well as I have a direct connect with the retailers, so this will help me increase their working capital efficiency, which in terms would impact their sales growth and definitely would have reverse effect on the company and definitely would have effect on the company in terms of increasing the sales of the company and the expectations here which we were looking at is definitely 8% coming from their end, so 12% + 8% that how I will break it up.

Shekhar Singh: So in a way you are dependent upon those measures, which you are implementing, they are heading successfully implemented?

Shashi Agarwal: I would say if they have track record in terms of implementing their projects successfully over a number components, offline we can share more details about it.

Shekhar Singh: In term of margins, what is your expectation or you are expecting some margin improvement or how is that?

Shashi Agarwal: Yes Sir, definitely that would also improve my margin expectations, today I am at 12.78% and we are talking about achievement of 15% EBITDA margin in the next two or three years and I will still standby it.

Shekhar Singh: Madam thanks a lot.

Moderator: Thank you. We take the next question from the line of Nidhi Babaria from Dalal & Broacha. Please go ahead.

Nidhi Babaria: Can you give me market share?

Shashi Agarwal: Madam, it is very difficult to give the market share, we can always do that, you can take my number vis-à-vis the numbers available on the public domain and then talk about the market share, it is again unorganized sector, very difficult to have those number.

Nidhi Babaria: What would be unorganized sector?

Shashi Agarwal: We look at somewhere down to two-thirds of the total market.

Nidhi Babaria: Two-thirds of the market will be unorganized?

Shashi Agarwal: Yes.

Nidhi Babaria: And who will be your competitors or your peer group?

Shashi Agarwal: Pages way ahead, coming at 2600 numbers they have given their results, fantastically well then we have Rupa, we have Lux, which was listed on the exchange, then we had some unlisted players as well in the market in Kozhikode, so these are some of the companies.

Nidhi Babaria: Can you just tell me again what would be the industry growth for the industry?

Shashi Agarwal: I am sorry, I just paused it there.

Nidhi Babaria: Industry growth?

Shashi Agarwal: Industry growth 10% to 12%.

Nidhi Babaria: Thank you.

Moderator: Thank you. We take the next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: On the input cost benefit on GST is it accounted in our numbers because we have to get benefit on ad spends specifically on the TV, so that input costs come, if it come what is the quantum it could be some sense?

Shashi Agarwal: That has already been accounted in the books, so that quantum is around about 8 Crores.

Prakash Kapadia: That is available as per my understanding only on the TV spends right?

Shashi Agarwal: Not only the TV spend in entire service category, so it would be on my freight, it would be on TV spent, or some of the commissions that service tax is applicable, so in all the line items where service taxes are applicable all put together they got me a benefit of 8 Crores.

Prakash Kapadia: And in terms of your implementation of some of the changes, which you said that the distributor, production, coordination, the retailers, channel processing, so at which stage are we? So does execution and implementation is tested, back testing over, soft launch of your systems done, so you can expect that from Q1 or it will be back ended or how do we monitor that for FY2019?

Shashi Agarwal: So, I still need this Q1 for me to start my implementation. Yes we have planned most of these results in the Q4 that is what team, the higher senior management was engaged and focusing their energy in the first towards the transitioning front and changes as required restructuring. This quarter also some of the energy would be visited there, but then again we would see the implementation happening only from beginning of the Q2 and even my Russian will start coming in from Q2, so I expect some traction happening, some impacts coming in from second quarter.

Prakash Kapadia: And who is guiding us from this if you can name the consultant or something?

Shashi Agarwal: So, that we will take it on one-to-one basis.

Prakash Kapadia: Fine, no problem. Thank you and all the best.

Moderator: Thank you. We take the next question from the line of Pratik Roy from Stewart & Mackertich. Please go ahead.

Pratik Roy: Madam, there is one more question that if you can give idea about number of distributors and number in MBO right now you are operating and is there any plan to come out with any EBO in the coming year, so if you can give some idea on that?

Shashi Agarwal: Yes, Mr. Roy. This year we also increased our distributors especially in the Force NXT segment. We are sitting at 95000 touch points and 915 distributors. We have been able to expand these distributors, but not much of the contribution has come from their side, so we need to work very, very closely with them to see the results number one. In terms of EBOs, yes the company is planning to come up with the franchising old model EBOs and the kiosk kind of shop and shop model.

Pratik Roy: When you can expect that will hit market EBO?

Shashi Agarwal: So, this year we are planning to have, again the implementation would this has happened in the second quarter again, most of the traction what we are working on will be seen in the second quarter, the results would be seen in the second quarter as well.

Pratik Roy: Thank you.

Moderator: Thank you. Next question is from the line of Nirav Savai from JM Financial. Please go ahead.

Nirav Savai: Madam, can you just give me the breakup of your revenue what is from branded products, sale of yarn and fabric and other operating income?

Shashi Agarwal: Not much only 10 Crores or something comes from yarn and fabric this particular quarter, so much of them have gone into it is my revenue I look at this 927 Crores, 928 Crores in terms of my finished goods in concerned and the rest comes in for.

Nirav Savai: So, 928 is your branded products and what would be the other operating income for the whole year?

Shashi Agarwal: 951 was my finished goods, so when I say finished good it would by yarn and fabric as well, 928 contributes from my manufactured products and the rest comes in from yarn and fabric, which we have talked about and other operating revenue is around about 31 Crores, which includes job working charges, duty drawback, sale of import license, then sale, etc., all this put together, this would be 31 Crores, so 951 plus 31 comes up to 960.

Nirav Savai: Right and where do we see this sale of yarn and fabric division going forward, it is going go down and your major growth would come from branded products or how do you see this going on?

Shashi Agarwal: Yes, so we will try and utilize as much of the products for the captive consumption itself, which we have been talking about because with the increase in sale I need more raw material for my captive production, this has been in a declining trend and they will go down.

Nirav Savai: Fine, thank you. That is it from my side.

Moderator: Thank you. We take the next question from the line of Mehul Mehta from Sharekhan. Please go ahead.

Mehul Mehta: Madam, this is with regard to depreciation, depreciation has fallen about 40% particularly during the quarter from 4 Crores to 3 Crores, so what is the reason for that?

Shashi Agarwal: These are all impact of Ind-AS and reworking because again as per Ind-AS there needs to be reworking done pertaining to the fixed assets so thus there has been impact because of that.

Mehul Mehta: Is it because even in Q3 depreciation has come off to 3.2 Crores, so would that be the reason for the same?

Shashi Agarwal: Yes, if you really look at impact of demonetization, because the government grant was there for us, so initially that was capitalised. There has been some movement in those particular segments, which gets into your cost of capital, which gets negated, so all these has brought on the depreciation as well.

Mehul Mehta: Going forward, how should we look at in the sense like is there any major capex lined up or it should be capex guidance for the next year?

Shashi Agarwal: No, not much regular 4 to 5 Crores per annum that is something we can take safely and some would be regular maintenance in that 4 to 5 Crores that would come across and some would be regular and little bit has in terms of maintenance, etc., that is it.

Mehul Mehta: Is there any broad number in terms of capacity utilization at what we would be working on currently?

Shashi Agarwal: I have the capacity, which I set up. In this particular segments we also have job working in place, we offload most of our production in Kolkata to job workers, so increasing the capacity or decreasing the capacity has been a problem, so that is something we can always work on, but for the unit setup in Tarapur we definitely have certain capacities installed for mills, knitting section, we also have our bleaching and dyeing section, cutting section, hand stitching section, so here most of the stitching is done outsourced, cutting section has a capacity of 5 lakhs meters per day with processing being 300 tonnes per months, knitting being 400 tonnes per month, selling being 400 tonnes per month for us. Beyond these capacities whenever we need additional capacities we employ and deploy our job workers.

Mehul Mehta: If I want to understand in the sense that when will you require major capex to grow, is there any timeline, I mean currently what you are working, by when next stage of capex happen if I want to know?

Shashi Agarwal: We do not want to get into manufacturing concern, majorly into a manufacturing concerns though we have certain capacity at this point, we would prefer outsourcing our requirements as well when grow in the future also.

Mehul Mehta: So, marketing would be you main forte kind, you do not want to get involved into manufacturing, is that the way I should look at?

Shashi Agarwal: Yes, absolutely.

Mehul Mehta: One last question about tax rate, tax rate also has come off from 40% to 29% during the quarter, so is there a victor?

Shashi Agarwal: Yes Sir, API business which we have availed this particular year. We have set of some wind energy plants in our areas, so ATI has helped us to get more tax rates done.

Mehul Mehta: So wind energy like this year we have setup in those plants?

Shashi Agarwal: No, they were setup previous year, but we have started taking the benefit from this particular year.

Mehul Mehta: So, what kind of investments has been done over there?

Shashi Agarwal: It is 5 to 7 Crores.

Mehul Mehta: And going forward also may that way cash flows would be deployed is that the way I should look at?

Shashi Agarwal: Not really, we do not look at because whatever extra power requirement is there we have some tired with the some of the companies who have their own mill setup had in those areas, so we are taking from them.

Mehul Mehta: Thank you.

Moderator: Thank you. We take the next question from the line of Nitiksha Shah from Anvil Share & Stock. Please go ahead.

Nitiksha Shah: Madam, I just wanted to know about this working capital days, you said that our working capital days in 164 days right in FY2018, so going ahead will we be able to improve our debtor days especially, so how do you think FY2019 should pan out in terms of working capital?

Shashi Agarwal: FY2019 six months definitely I do not expect much of the traction happening or implement happening for at least two quarters beyond that definitely I cannot continue having these numbers which is completely very, very high, so I expect that numbers to come down, but till the time I really understand we pass in the next two quarter or may be in the Q2 I would be in a better position to talk about by debtors days coming down or when I published by results by end of the Q1 and I would be somewhere sitting in the Q2 that point of time I would be in a better position to talk about our working capital cycle in terms of debtors are concerned.

Nitiksha Shah: Thank you Madam and one question, about this tax rate what would be our average tax rate then going forward?

Shashi Agarwal: If you really look at my average tax rate should be down by 30% plus not really to be 29% but it would be around at 30%, 31% going forward and once I really work out closely with my consultants tax consultants again you can see some savings coming to our kitty.

Nitiksha Shah: Thank you Madam. That is all from my side.

Moderator: Thank you. Ladies and gentlemen that seemed to be the last question. I would now like to hand the floor back to the management for their closing comments.

Shashi Agarwal: We would like to thank you for the interaction, which we had, a really in-depth one. I hope we will be able to answer to all your queries. Thank you for participating. It was lovely having you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Edelweiss Securities Limited, that concludes this conference. Thank you all for joining us. You may disconnect your lines now.

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