

Date: 5th June 2023

The Secretary National Stock Exchange of India Limited Exchange Plaza, C-1, Block 'G' Bandra- Kurla Complex, Bandra (E) Mumbai – 400 051 Symbol - DOLLAR	The Secretary BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 Scrip Code :541403
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Dear Sir / Ma'am,

Reg : Intimation of availability of transcript on Analyst(s)/Institutional Investor(s) meet – 'Earnings Call'

In continuation to our letter dated 24th May 2023 and pursuant to Regulation 30(6) and 46 (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call held on 31st May 2023 at 4.00 pm (IST), organized by ICICI Securities, on the interaction of the Company's representative(s) on the audited financial results of the Company for the quarter and year ended 31st March 2023 and/ or any other matter as discussed, is as enclosed.

Please note that the same is also available on the Company's website at www.dollarglobal.in.

This is for your information and record.

Thanking you,

Yours Sincerely,

For Dollar Industries Limited

Mamta Jain
Company Secretary and Compliance Officer

Encl: As above

DOLLAR INDUSTRIES LTD.

(AN ISO 9001:2015 CERTIFIED ORGANISATION)

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“Dollar Industries Limited
Q4 FY '23 Results Conference Call”
May 31, 2023



**MANAGEMENT: MR. ANKIT GUPTA – PRESIDENT, MARKETING –
DOLLAR INDUSTRIES LIMITED
MR. AJAY PATODIA – CHIEF FINANCIAL
OFFICER – DOLLAR INDUSTRIES LIMITED**

MODERATOR: MR. AKSHAY KRISHNAN – ICICI SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to the Dollar Industries Q4 FY '23 Results Conference Call hosted by ICICI Securities. 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 star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akshay Krishnan from ICICI Securities. Thank you, and over to you, sir.

Akshay Krishnan: Hi, everyone. A very wonderful good afternoon, good evening to you. I trust you had a very great day. Representing, I said, it's an absolute pleasure to host the Results Conference Call of Dollar Industries Limited. The company is represented today by Mr. Ankit Gupta, President, Marketing, and Mr. Ajay Patodia, CFO. Over to the management for the opening remarks, and after we will open the floor for Q&A. Thank you.

Ankit Gupta: Good evening, ladies and gentlemen. Thank you for joining us today to discuss the financial results for the Q4 financial year '23 and financial year '23. As we navigate through a challenging environment, I want to express my appreciation to our dedicated team for their unwavering commitment and hard work during this quarter.

The hosiery industry has faced numerous obstacles, including global economic uncertainties and shift in seasonality and cyclical slowdown in discretionary demand. Despite these challenges, I'm pleased to report that our company has demonstrated resilience and adaptability during the fourth quarter.

Our revenues for the quarter showed a growth of 8%, along with the volume growth of around 37%. If we talk about FY '23 versus FY '22, then we have achieved volume growth of approximately 5%. The impact of volume growth in Q4 generated us a cash flow of INR140 crores.

However, it is important to acknowledge that our financial results were not as robust as we had initially anticipated due to the ongoing industry headwinds. The hosiery industry, like many others, has experienced a volatility in raw material prices. This has put pressure on our margins. However, we expect FY '24 to be good with good demand for the product and controlled raw material prices, which will help us to maintain our margins.

To strengthen our brand awareness, company has launched a new TVC for its regular segment, Dollar Always, Lehar, by roping in Mr. Saif Ali Khan as brand ambassador for the same. We have also launched new product, Dollar Rain Guard, under our umbrella brand Dollar. The new product is getting good response from the market and will add extra volume in company sale and strengthen our product portfolio.

Our advertisement expenses for the year FY '23 stood at INR101 crores, which is 7.22% of our total revenue as compared to INR63.51 crores in FY '22. Our premium segment brand, Force NXT, and women segment brand, Dollar Missy, gave a growth of 15% and 10% in terms of volume for FY '23. We are confident that both premium and women segment will help us in achieving volume growth in the future.

Now coming to Project Lakshya. This year, FY '23, we have added 87 distributors under this project. And currently, we are sitting with 229 distributors up to March '23, which was 142 distributors in FY '22. We are happy to share that Project Lakshya contribution in company's domestic sales, increased from 8.33% in FY '22 to 19% in FY '23. The company has already started implementation of Project Lakshya in Tamil Nadu, and mapping of retailers is in planning stage for Kerala.

During the year, company opened 14 EBOs, Exclusive Brand Outlets, to cater the demand of consumers and generate sales and increase brand awareness for the company. It will also help us change the perceived value in the minds of consumers. In order to cater the demand of consumers, we ensure to supply the products through various modern retail channel from where demand can be fulfilled, as a result of which, this particular business verticals, including e-commerce, showed a growth of 33% in terms of volume. We are confident of our long-term growth on the back of Project Lakshya, industry and economic drivers.

Our commitment to sustainability remains a top priority. We continue to implement environmentally friendly practices throughout our operations, focusing on reducing our carbon footprint and promoting responsible manufacturing processes. This not only aligns with our core values, but also enhances our brand reputation and meets the growing demand for sustainable products. Thank you all. Now I would hand over the call to our CFO, Mr. Ajay Patodia.

Ajay Patodia:

Thank you, Ankit. Good evening, everyone, and thank you for joining the call. Hope all of you are well. I will detail the financial performance starting with Q4. The revenue are, as now some of you have read, that it is INR407.57 crores compared with year-on-year INR375.72 crores, a growth of 8% over last year. Our EBITDA stood at INR12.83 crores as compared to INR59.17 crores in Q4 FY '22, a degrowth of 78%. Profit after tax for the quarter stood at INR3.68 crores as compared to INR37.11 crores, a degrowth of 90% year-on-year.

Coming to the FY '23 performance, revenue stood at INR 1,398.52 crores as against INR 1,349.07 crores in FY '22, a growth of 4% year-on-year basis. Our EBITDA for the FY '23 stood at INR103.27 crores as compared to INR223.24 crores in FY '22, a degrowth of 54%. Profit after tax stood at INR58.24 crores as compared to INR145.87 crores, a degrowth of 60%.

Now moving on to brand-wise contribution. In Q4 FY '23, Big Boss contributed around 42%, our Dollar Always regular contributed around 42%, our woman segment Missy contributed around 9%, our premium segment Force NXT contributed around 4% and Dollar Socks 2% and our Champion kids brand around 1%. In FY '23, full-year, Big Boss contribution is around 42%, Dollar Always regular brand around 37%, our women segment Missy brand around 9%, our premium segment Force NXT around 4% and Dollar Socks around 2% and winterwear Dollar - winterwear around 6%. With this, we will now open the floor for the question-and-answer.

Moderator:

Our first question is from the line of Nirvana Laha from Nirvana Capital.

Nirvana Laha:

So my question is on gross margin. So this quarter, we have seen that gross margin Q-o-Q have dipped another 5%. Now I think you're at 40%, which must be the lowest in last 7, 8 years. So

what I want to understand is, is it because you're carrying a lot -- still carrying a lot of high-cost RM inventory?

And secondly, since you do weighted average costing for inventory, I think we were all expecting that your gross margin sequentially will expand. Because in Q3 and Q4, you must have bought some low-cost RM as well, right? So the weighted average costing should have brought the COGS down and the gross margin should have expanded, but the opposite seems to have happened. So can you explain this, please?

Ankit Gupta: Yes. So yes, that's true that we were also expecting that in Q4 we won't take a hit because of the high-cost inventory. But again, in Q4, we had to take a price reduction based on the overall industry scenario that was going in the market. And also, what we thought that the cotton prices would get stabilized. During the month of Feb, it was somewhere around INR65,000. But currently, it is running at somewhere around INR55,000, INR56,000 per candy. So yes, it was because the -- the expansion of the cost was mainly due to the high-cost inventory that was lying in our book.

Nirvana Laha: Okay. So in terms of realization, this quarter, how much has average realization come down Q-o-Q? I mean what kind of price cuts have you had to take?

Ankit Gupta: So around 4% to 5% price cut we had to take in the Q4 as well.

Nirvana Laha: Okay. And how much high-cost inventory are you still carrying from when cotton prices were higher. So 2 questions actually. Do you expect this kind of price to now sustain? Or do you expect further cuts in the next 2 quarters? And secondly, in terms of inventory, do you see that your COGS will now slowly start becoming lower cost? Or are we going to remain at this level for the next 2 quarters?

Ajay Patodia: We think that our COGS now is stable, and our margin also expands because the ASP is already bottomed out. And we think that this price may be the lowest in Q4. And in continuing, we think that we get a good margin or good ASP in FY '24. And we also have a growth in our GP percentage.

Nirvana Laha: Okay. So you expect this quarter gross margins to have bottomed out?

Ajay Patodia: Yes.

Nirvana Laha: Okay. And last question from my side. So our other expenses this quarter, if I look Q-o-Q, while revenue has grown 41%, your other expenses also have grown 42%. So normally, there's a fixed component to these other expenses and it shouldn't grow as fast as revenue. So can you comment on this? Are there some one-off expenses that you have taken this quarter?

Ajay Patodia: In other expenses, our advertisement expense is also included. Our total advertisement cost is around -- FY '23 is around INR101 crores, with compared to FY '22 only INR63 crores. And in Q4, it is around INR20.41 crores. And with comparison to in Q4 year-on-year basis, FY '22 is INR13 crores only. So INR7 crores is from that. And in this quarter, we have to take the provision also -- some provisions also for IND AS purpose, like we have the -- our customer

base future lifestyle also in modern trade. The supply is there for central stores and for brand factory. So some inventory and some payments are pending with the future lifestyle as the future lifestyle get the NCLT order on May 4. So we have to take the expected credit loss of 100% provision for this quarter as per accounting standard.

Nirvana Laha: Okay. How much was that?

Ajay Patodia: Around INR5 crores.

Nirvana Laha: INR5 crores. Sir, can you give me the Q3 figure for ad spend. Q4 you said it's INR20.4 crores. What was the figure in Q3?

Ajay Patodia: In Q3, our ad spend is around INR20.61 crores. And in Q2, it is around INR25.32 crores.

Moderator: Our next question is from the line of Ankush Agrawal from Surge Capital.

Ankush Agrawal: Yes. So we have given a good volume growth for the quarter, but equally, your value has degrown by about 29%. And you mentioned that we have taken a price cut of about 4.5%, 5%. So I'm just trying what led to such large value degrade during the quarter? I believe it's not just the price cut, so if you can explain that?

Ankit Gupta: So it was -- actually during the quarter, if you see the brand-wise growth or the contribution during Q4, it was mainly because of the economy range of product, Dollar Always, which is a regular product, which we call. So we saw a volume growth of 53% in that particular range. And since it's a major chunk, that's why we saw the ASP degrowth at a larger rate.

Ankush Agrawal: Got it. And secondly, sir, again on this profitability. So like can you explain a little bit more like what is affecting it? Because if I look at your traditional fees as well, both of them have reported like around stable profitability sequentially or slight improvement, whereas we have seen another leg of sharp degrowth in profitability sequentially. So just I'm trying to understand what is affecting this? Because, I mean, after 3, 4 quarters of sustained using high-cost inventory, we believe that at some point of time it should have bottomed out, right? So like -- I mean, it's not adding up to be honest, like after quarter-after-quarter, such kind of sharp reduction in gross profits.

Ankit Gupta: See, if you ask me about the peer group, I wouldn't be able to comment on that. But overall, at a yearly -- on a yearly basis, if you see the GP margin with all the peer groups, it's almost at a similar level. Yes, I understand that the profits have always been -- if you look at the EBITDA margin from the last 3, 4 years, you'll always see that there is a gap between our EBITDA margins and the others.

Ankush Agrawal: Yes. What I was talking about is more of a sequential...

Ankit Gupta: Apart from that, the kind of 4% to 5% price reduction that we had to take in the fourth quarter, so major chunk is that and also the advertisement cost, which remains at a lower level. So last year, fourth quarter, we spent around INR12-odd crores. But this year, fourth quarter, our spend was around INR20 crores. So this is the main reason why -- and also the provision that we took.

Apart from that, on a yearly basis, we conduct conference or dealer conference, distributor conference to motivate the distributors to take the order booking to showcase our new products. This year, the expenditure was on a higher side, which also led to a low -- expanded other expenses basically.

Ankush Agrawal: I was talking more from the gross margin perspective, not on the EBITDA level. But okay still -- so just a clarity over here. So do you believe that from here onwards, say, FY '24, we would be able to revert back to a steady state gross margin, which is a normalized margin of somewhere around 55%. Would that be possible this year? Or do you expect still like, H1, we would still face issues on the gross margin side?

Ankit Gupta: See, gradually -- it's a process, so gradually, yes, obviously, we'll come to a steady state. But for looking at the gross profit, you should also include manufacturing or a job work -- contracted job work expenses to be added to the COGS -- sorry, cost of material consumed must be added with the manufacturing costs as well to get the exact gross margin thing.

Ankush Agrawal: Yes. So considering that also, do you believe FY '24 would be normal year? Or it would be still like gradual recovery and it's only by the time we exit FY '24, we would be able to reach that level?

Ankit Gupta: So yes, gradually, it will improve. And by the end of FY '24, we should see a good improvement in our gross profit margin business.

Moderator: Our next question is from the line of Simranjeet Singh from MasterTrust.

Simranjeet Singh: Sir, I have two questions. My first question is, can you guide for some EBITDA margins in the FY '24 and for FY '25, if it's possible? Secondly, what will be the percentage of advertisement expenses as a percentage of sales we can expect in the FY '24 going forward?

Ankit Gupta: So advertisement cost for this particular fiscal would be somewhere around 6.5%. And that's what we are looking into. And apart from that, on the EBITDA margin side, for this year, the guidance would be somewhere around 11% to 12% with a revenue growth of 12% to 13%.

Moderator: Our next question is from the line of Surya Narayan from Sunidhi Securities.

Surya Narayan: Yes. Just to understand the continuous fall -- rise in the inventory losses quarter-on-quarter. So where we -- and so have we done with that or still something is left for Q1 FY '24?

Ajay Patodia: With regards to high-cost inventory?

Surya Narayan: Yes.

Ajay Patodia: High-cost inventory is already -- we expected this is already bottomed out in the Q4 itself. And from now onwards...

Surya Narayan: Because if you see, last quarter, we were around 65,000 and we are down 10,000. So now 65,000 also is high. So obviously, there will be, again, some heat on the gross margin for Q1.

- Ajay Patodia:** But Surya Narayan, if you're looking our balance sheet, then our inventory level is already down. It is around INR345 crores against INR475 crores in last year. So I believe that our high-cost inventory is already optimized. And now in quarter -- in FY '24, we have a good percentage of GP margin.
- Surya Narayan:** So what kind of, let's say, any particular -- I mean what is the policy of purchase of the raw material, I mean, especially the cotton, whether you are buying for short duration or is that to -- for 1 month or how is it? Because I believe you would be buying for a longer period, that is why these losses are recurring.
- Ajay Patodia:** It is actually dependent on the situation basis. Currently, we are not holding cotton more than 7 days. Because...
- Simranjeet Bhatia:** More than 7?
- Ajay Patodia:** Not more than 7 days, because it is -- it include only around 20% of our total requirement, 80% of our total requirement of yarn and fabric we purchase from the market.
- Surya Narayan:** Yes. That comes my second question is that as we are focusing more on the garment side, why we'll be increasingly be investing in the yarn side? Because there are -- again, we have intending to, let say, raise the capacity of yarn and -- what was the necessity, because there is a draught in the market and you know it is available. So I mean, all kind of boots are available and from the quality manufacturers. So why you felt it was necessary, because at a given point of time, we can get quality to gray and gray fabric and get it converted. So that is our focus, rather than making the yarn and fabric altogether. What was the necessity then?
- Ajay Patodia:** Surya Narayan, you are 100% correct. But our mill has a -- we already had the surplus land. So we've only invested in our -- in the machinery part also. And the quality of the yarn we produced by imported machinery -- import machinery from Murata. And our plant -- spinning plant is the state of art technology, you can say. And the quality of yarn producer is used for our premium range of product only.
- So it is not -- you are correct that we can purchase from outside also, but the total contribution for the spinning plant is only 20% of the -- our total product. And for quality purpose, for maintaining our standard in premium segment, we just expanded our spinning project. As we have the surplus land, we have to only store the machinery and produce when we start it. So if...
- Surya Narayan:** So why are we not investing in the end products rather than the downstream -- upstream thing. That is my point.
- Ankit Gupta:** Sorry, I didn't get your question.
- Surya Narayan:** Why are we not investing in the downstream rather than in the upstream? If at all any investment has been made, then it can be scraped off, and let's say, because always we will be facing -- because cotton is quite volatile. And obviously, we have to deal with that. So rather than dealing that, we can directly deal with the garments, and so we should be more focused on the downstream.

Ankit Gupta:

So the major thing is, see, this is one-of-a-kind situation which has happened in this particular fiscal in FY '23. The industry has not seen such kind of a volatile raw material prices in decades. So based on just 1-year problem or a 1-year setback, should not be a contributing factor that we should scrap a project or not. Also, the major problem that we were trying to solve by adding the capacity was once -- so we have a vision of reaching to INR2,000 crores in a couple of years.

So in order to happen that, we also need good quality yarn to maintain the product quality that we have. It's the quality of Dollar Industry Limited's product that speaks. We have -- the repeat customer of Dollar Industries are there because of the quality at a reasonable price. And that is why we are trying to maintain that 20% in-house yarn manufacturing, which was there earlier also. And that is why we increased the capacity.

Surya Narayan:

But Ankit, is it actually okay -- was it okay to retail of, let's say, COGS of around 75% to 76% and increase the turnover or activity level by achieving 42.4% kind of growth, that too 4.5% of reduction in the ASP. Was it meriting? Because sequentially, our cost is rising from around 68% last year this time to around 75%. So was it required? At least we could have, let's say, downplayed the market. What was the haste in chasing the market?

Ankit Gupta:

No. See, when you not purchase yarn from the market and directly purchase a fabric from the market, there is an extra cost added to it, right? So you won't be able to match that cost with the pricing that you have to give it to the market, right? There are N number of players in our segment. So it's not that we are dealing only in a very premium segment where 1 or 2 players are there. But there are N number of players in the market, although we were able to achieve 53% growth in our economic range of products and 14% growth in our Big Boss product. But it only happens when you can maintain a quality and still able to give product at a best possible price in the market.

And you can't have a price difference with the peer group, let's say, with Lux or Rupa or Amul, right? We have to maintain that as well. So buying great fabric is not a recommended thing for our particular target market, like when we're serving a particular target market, which is [mass] India. So there, it is not recommended, that's why we procure yarn.

And just to maintain that 20% of in house yarn manufacturing, that's why we took that call 1.5 years back that we'll do the expansion, which is about how to get commissioned in this particular fiscal. And overall, if you see the other peer groups also, their gross profit margin in Q4 was at a similar level at which we are. And at a yearly level also, it's on a similar line. It's not that our gross -- this gross profit margin decline is only contributed by the purchase of cotton. It's not like that.

Surya Narayan:

Okay. Because what my point is that the majority of the revenue we are getting from the economy range, because economy range is already quite a commodity kind of thing. And there, it was not required. And B, secondly, why at all a movie star was there as our brand celebrity? Why again, there was necessity to go for another movie star in our safe -- especially to focus on the economy range? Economy range is any way is our cash flow, it is running fine. So what was the necessity there?

- Ankit Gupta:** So the call to take a celebrity face in our economic range of products is -- there were just 2 factors of -- the kind of debate we had internally also. There were 2 factors that we need a face on the packaging because due to the price increase that has happened in 1.5 years back, so the product pricing has increased considerably in terms of MRP. And every other brand has a face on their packaging, and that's why it was initiated. That is one of the factors.
- Surya Narayan:** But Ankit, even in this case, we have seen price cut of 4% to 5%. If we say our pricing power was to remain intact, then obviously, we could have at least now maintained the price, not even cut the price, but that did not happen. And secondly, out of the around INR20 crores to INR25 crores of run rate of our spend, how much is the celebrities are taking?
- Ankit Gupta:** It's very miniscule as compared to the ad spend that we are doing. So if you ask me the total contribution of the money that we are giving it to the celebrities, it's like very negligible. It would be what, around 2%, 2.5% of our total cost.
- Moderator:** Our next question is from the line of Rohit Suresh from Samatva Investments.
- Rohit Suresh:** Sir, my first question would be on the athleisure segment. So if I look like around FY '18, FY '19, the Force NXT brand was only contributing around 2% to 3%. And if you take it 5 years down the line today, it's still contributing only around 3% to 4%, whereas other brands are significantly improving the athleisure part, the competitive landscape has also increased. So how do you see the athleisure part growing to reach that INR2,000 crores that you have targeted, how much -- and how do you see the athleisure growing? Because that will be the major -- will be helpful in increasing our margins.
- Ankit Gupta:** So our overall, if you see our athleisure segment contributes around 13%. Last year, it was 12% of our total sales. This year it is 13%. And if you're talking about Force Go Wear as a contribution to sales because that was initially our casual wear brand only. But we are -- slowly, we are doing the way with that particular brand. And we have launched Dollar Man athleisure just before the COVID lockdown happened. Like in the month of January we launched and in the month of March, the lockdown was called.
- So since then till now, we have significantly increased our total contribution in the athleisure segment. And currently, we are standing at 13%, and also a couple of months back, we have launched women athleisure into the athleisure segment, which will start selling like we have already started dispatch of that particular product and getting a good response out of it. And overall, NXT Force, NXT athleisure is also doing really good. So overall, at a company level, athleisure segment is doing around 13% of the total sales.
- Rohit Suresh:** Okay. Sir, and how much do you see this going forward like the contributions when you reach that INR2,000 crores, how much will this segment be a total part of?
- Ankit Gupta:** See, contribution based on the volume, the percentage won't move much because our Big Boss, which is the mid-premium segment and the economy range of products, which is Lehar. So these 2 has huge volumes. So in order to change the percentage or see a considerable change in the overall percentage would be very difficult. So the percentage movement would be very low, but

in the athleisure segment for next 2 to 3 years, we are seeing somewhere around 35% to 40% growth year-on-year.

Rohit Suresh:

Okay. Okay. Sir, my second question would be on the Project Lakshya. So in your presentation, you said that in the next couple of years, you want around 70% of your distributors to be under the Project Lakshya scheme. So but if I'm not wrong, in one of your previous calls, you had said that it's slightly difficult to get the big distributors, the large distributors under this project. So considering you want to reach that 70%, like how do you plan to reach that 70% considering there are a lot of large distributors who don't actually want to come into the scheme? So how do you plan on achieving that?

Ankit Gupta:

So see, this particular fiscal year was a setback to our industry. And it has took us back to be very honest. And that's why only 87 distributors got enrolled in this particular fiscal year. But we aspire to complete this particular project in another 2.5 years time. So we really want to do it. In order to achieve that, we have to add new states to it. The team is very aggressive and enrolling new distributors into it. And yes, we are trying our level best to get that particular enrolment happening.

So if you see this year also at a company level, we did a volume growth of somewhere around 5%. But when we map the Lakshya distributor, last year -- last full fiscal year versus this full fiscal year, the distributors on an average did around 19% to 20% volume growth. So, that is the kind of results we are getting from that. And that's where we get a lot of conviction about this particular project. And we really want it to happen. And in the next 2.5, 3 years' time, we'll be - - I think we should be able to do it.

Rohit Suresh:

So sir, if I'm not wrong, the distributors under Project Lakshya will be more from the new states and the existing stronger states that you have may still take some more time for -- to get the majority of the dealers under the scheme?

Ankit Gupta:

Yes. So we are trying to cover the smaller states first, and so that we can get a good response see, we have to protect our market share as well, the sales in a particular market as well because whenever we start rolling out a particular state, there's a dent in the sales in the first year. So in order to protect the sale, so we are trying to implement it in such a manner so that we have a very less amount of sales dent happening in that particular state or we don't lose our market share because each and every player is becoming very aggressive in the market and also seeing such a good result in the economic range of product showcases that there are some of the regional players who have curbed their working or their market share is being transferred to the organized players. So that's what we think and therefore, we are working on it.

Rohit Suresh:

Got it. Great. Sir, and my last question would be on the price reductions that you have taken in Q4. Do you see any more reductions in the next couple of quarters?

Ankit Gupta:

Currently, in this quarter, we don't see any kind of a reduction -- but since Q4 until now the cotton candy -- cotton prices per candy has reduced by somewhere round INR9,000 to INR10,000, right? And let's -- we are just hoping for the best because the yarn prices have not declined until now. So we are just hoping for the best.

Moderator: Our next question is from the line of Keshav Garg from Counter-Cyclical PMS.

Keshav Garg: Sir, I'm trying to understand, instead of focusing on marketing, brand building, distribution and cutting our working capital instead of pushing volumes and increasing our premiumization of our products, sir, it seems that we are focused on the commodity side of the business because we have land that is why we are putting up yarn capacity. So if you look at the industry leader, it is not, it is the least integrated amongst all of you. They don't do anything. They just do some switching and then they focus on branding and marketing. So, and their average selling price is very, very high as compared to us. So how are they managing their quality without setting up a yarn mill?

Ankit Gupta: So to be very honest, we're talking about Page Industries, it operates in a different segment, wherein it is a premium market, and we are -- the homegrown companies that we are, we cater to a separate market segment, right? So the price at a Jockey level does not matter much. So it has a power that it can procure the fabric and then thereafter it can manufacture goods.

And it does not do some amount of stitching. There are 22,000 employees which are being employed for the stitching and the elastic purposes, which are done almost 100% in-house, almost 100%. I wouldn't say 100%. It is almost 100%, but they employ 22,000 to 25,000 employees, just for that particular process.

Secondly, it's not that we had land that's why we are increasing the filling unit or the process from cotton to yarn. Our major focus is still on the branding side. Our focus is still on the sales part of side, increasing the market share. It's just that we were trying to maintain that 20% in-house yarn manufacturing because since last year, 1.5 years or 2 years back, there was a huge shortage in the yarn industry also, the proper quality was not coming in, and we are very particular about the quality.

And that's why we took a decision 2 years back, which is happening. So the machinery orders have already gone through and it's an investment of somewhere around INR50-odd crores. And we won't -- we don't want to scrap that particular project, and it's not that we'll be having any kind of operational loss due to increase in that particular capacity.

But if you see the 2, 3 approaches that we have taken in the past 2 to 3 years, it has always been towards building our brand. It has always been increasing our market share in the market. So what we have done is the Project Lakshya, the TOC program, which deals with the sales side. Secondly, opening up of the exclusive brand outlets, which deals with the brand awareness, changing the consumer perception towards the brand Dollar.

The third part, which we did was the brand architecture, which no one in the industry has done. So instead of having 16 or 17 or 20 sub-brands under the umbrella brand Dollar, we categorized it into 6 categories: Dollar Man, Dollar Woman, Dollar Always, Dollar Thermal, Dollar Junior and Dollar Protect.

So this is the progressive thinking that the management has. This is where we are heading to, and this is our focus thing. And on the IT infrastructure part, we are implementing SAP. We

have already implemented distributor management system among the Lakshya distributors. We are also working upon the auto replenishment system.

So to make the system so robust that it will not only help us in the production planning, but also helps us giving insight in such a depth that we'll be able to take that feedback, convert it into a product and sell it to the market and work it on our advantage. So that's what we are doing currently.

Keshav Garg:

Sure. Sir, also, sir, just wanted to share some feedback with you. I'm based in Pune and I went to a club in which all the waiters had a uniform in which the advertisement was being done of Airtel and other brands. Also Dollar, D was also written on the t-shirt of the waiter. But I asked many people and nobody knew that what that D stands for. So although you are spending on advertisement, but sir, the question is of the effectiveness of that advertisement.

Ankit Gupta:

So let me answer you this way. We did the brand architecture 2.5 years back. It was in, I think, May 2020 when we launched our new brand logo and everything. Before that, we didn't have any new monic. So the D that you're talking about is a new monic, which we created 2.5 years back. So while advertising, we are already showing the new monic, but it needs time to have the consumer understand that this D belongs to the Dollar. And that's why we have to spend a lot on the advertisement. That's why our advertisement costs are also higher so that it gets registered to the consumer's mind.

So whenever a new brand is launched with a new monic, let's say, Tommy Hilfiger, that particular red and a blue line did not get registered in 2 to 3 years' time. It's a process. So obviously, it will take some amount of time. But yes, this is doing wonders. We have gotten a very good feedback from the market, and people are actually liking this new monic concept because they never expected from a homegrown company like Dollar, who are for masses having a new monic and people wearing it with the price. So we are working towards it, and that is our focus that in our next 2 to 3 years, people do recognize from that new monic that this is Dollar's product.

Keshav Garg:

Sure, sir. And sir, regarding our inventory and our receivables, are we doing anything to reduce the same? Sir, our operating cycle is almost 1 year. So I'm sure something can be done to reduce the working capital.

Ankit Gupta:

So our working capital cycle in the last fiscal was somewhere around 155 days. And this year also, we are at a similar level 2, 3 days plus/minus.

Keshav Garg:

Sir, any scope to further reduce the same?

Ankit Gupta:

Yes, yes. So we are -- we have implemented distributor financing scheme. And around 250-odd distributors are already there enrolled in that particular dealer financing scheme. That is one thing that we are doing. And on the inventory side, since we are launching new and new products every day, and there are a lot of SKUs that we have launched in the couple of years. So because of that inventory is on a bit of higher side, but there's still a scope to reduce it by somewhere around 10 to 12 days.

Ajay Patodia: Other than this, I want to clarify that we also implement production planning module in our SAP S4 HANA. In production planning module, we have to integrate with our dealer management system, so that we have the data for the last 3 years in which area, which type of product requires. So once the system is integrated, then we reduce inventory level at every stage, whether it is knitting, whether it is bleaching or whether it is cutting and making stage.

So by this method, in working technology, we try to reduce our inventory days and by channel financing, dealer financing scheme, we try to reduce our receivable days. So by FY '25, our target to achieve the total working capital days within 120 days.

Keshav Garg: Sir, I didn't get the last part. Sir you said your target by FY '25 is to reduce working capital days by?

Ajay Patodia: 120 days, reduce to 120 days. Currently, it is around 160.

Keshav Garg: Sir, if you see our receivables, it is between 100 and 110 days. And if you look at Page, their receivable days are at 11 days. So I mean, sir, why do we need to give such a huge credit period to our distributors?

Ankit Gupta: So Page has a cash and carry model. And it came -- and it plays on the aspiration. People aspire to the Jockey product or when it's launched in India and it became a status symbol for the youngsters basically. So it has that power to demand that. And he is the only player in that particular segment. And he was there as a sole player for a lot of years, like 20, 22 years. After that, a lot of other players, U.S. Polo or Levi's or Van Heusen started coming up.

But in our kind of market, we grew from economic range of products, and now we are moving up the ladder. So initially, we launched with -- in 1972, we launched with economy range of products. And then in early 2000s, we launched Big Boss, which is our flagship brand. And it is like a mid-premium segment, class for mass kind of a thing. So we have grown from that particular level. And it's a crowded market. We are -- at a similar level, we have around 5 players; 3 are listed, 2 are in non-listed space. So yes, so as a policy, we have to extend that credit in the market.

Keshav Garg: And sir, just lastly, sir, one last question, sir, is about our price positioning of our products on a blended average basis. Sir, how does our pricing compare with, let's say, Lux and Rupa?

Ankit Gupta: So there's a difference of somewhere around 1.5%, 2% with our peer groups. We are on a lesser side. Initially, to gain market share, I'm talking about 20 years before. So to gain market share to have exceptional growth, that price gap was somewhere around 8% to 10%. And that's why we gained acceptance in the market also. And slowly and gradually, we are trying to decrease that price and come to a similar level. Until we have managed to reduce it by 8%. And another 1.5% to 2%, I think we'll be able to reduce it in a couple of years.

Keshav Garg: Sure, sir. Best of luck. Just one last feedback, sir, like we are spending 6.5% of our revenue we plan to spend this year on advertisement. So our competitors are also spending in the same ballpark. So until and unless we do something different or we spend more effectively, then sir

we are back to square one. It's not that only we are spending 6.5% and others are spending 1%, 2%.

Ankit Gupta: Thank you so much for the feedback.

Moderator: Our next question is from the line of Vishal Bagadia from Roha Asset Managers.

Vishal Bagadia: Just to continue on the spinning capacity side, you said that currently, it caters 20% of our yarn requirement. So once the capacity is added, how much of the yarn requirement would be catered, as you are almost doubling the spinning capacity?

Ankit Gupta: So we are also trying to double our revenue, right? So ultimately, it will be -- it will come down to 20% only. In a couple of years, you'll see that -- maybe for a couple of years, you will see that it has gone to 24%, 25%, 26%. But ultimately, it will come down to 20%.

Vishal Bagadia: Okay. And just wanted to understand what is the status of our capex, both of integrated warehouse as well as the spinning capacity?

Ajay Patodia: Regarding warehousing projects in West Bengal, it is already completed. Just we are waiting for the completion certificate. And regarding spinning project, due to some delay in machinery part, we have to wait for 3, 4 months. I expect it by September we commence the trial production.

Vishal Bagadia: Sir, so just to follow up on this. Why is it taking so long to complete the capex, because we were targeting -- this would have been completed somewhere by November earlier in the previous year, then we shifted it to March of this year. And now we are expecting it should go to September. So what is happening? Why is it just being pushed for almost a year now? And is there any cost escalation because of the same?

Ajay Patodia: No, no, no cost escalation, because we have to purchase the machinery and from only LMW is the only vendor who supplied the machine in domestic and Murata in the foreign soil. So there is some part in delay from the vendor side only to supply the machinery and related accessory. So just we wait -- and there is no escalation with regard to the price and cost for the machinery parts. Hello?

Moderator: Sir, the line for the participant has dropped. Maybe move to the next participant. Our next question is from the line of Ankush Agrawal from Surge Capital.

Ankush Agrawal: So just a couple of data keeping questions. So can you help me with the volume growth and revenue growth for Lakshya scheme for the quarter?

Ankit Gupta: So see, it would be -- it would be very difficult to talk about the growth Lakshya, because there are some distributors who have got enrolled in the last 3 months who are not there in the previous year. And there are distributors who did 3 months of sales in the last fiscal and a complete full year of sale in this particular fiscal. So FY '22, we did a INR100-odd crores of business through Lakshya distributor with 142 distributors. And this year with 229 distributors in totality, we did a total business of INR240 crores. So the overall contribution, which was 8.33% grew to 19.33% in this particular fiscal year.

- Ankush Agrawal:** No, actually, the last quarter, you used to give a number wherein say, for Q3, you gave the number of negative 5% volume growth for distributors who were there in Q3 FY '22 and distributors were still there in Q3 FY '23, Lakshya scheme. You should give those numbers. So if you can give that number for Q4.
- Ankit Gupta:** Last time also, we gave that in Q3. So last year, in FY '22 Q3, the distributors who were present there and the distributors who continued in the Q3 FY '23, we shared our difference in that only. This year, if you compare Q4 this year versus Q4 last year -- just give me a second. I think it is on -- so there are a lot of new distributors which got enrolled. So let me get back to you with this particular question.
- Ankush Agrawal:** Yes. Okay. And lastly, just --
- Ankit Gupta:** On overall company level, company level we did a volume growth of 19% vis-a-vis at -- sorry, in Lakshya project, we did a volume growth of 19% and value growth of 18%, vis a vis in our regular overall at a company level, we did a volume growth of 5%. So you can actually see the difference which is there.
- Ankush Agrawal:** Yes. But some of that is also because the number of distributors have increased.
- Ankit Gupta:** No. So we have not taken that into consideration in that 19%. We do --
- Ankush Agrawal:** Okay. So it's like for like?
- Ankit Gupta:** Only those distributors who were present in FY '22 and FY '23, for the full year. We have considered them only.
- Ankush Agrawal:** And can you target for number of distributors to be added this year, FY '24?
- Ankit Gupta:** So we are -- we have Tamil Nadu and Karela in the picture. Apart from that, we are doing Odisha, Northeast. So this particular fiscal, I think another 100, 140 new distributors should get in.
- Moderator:** Thank you. Due to time constraint, that was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.
- Ajay Patodia:** I take this opportunity to thank everyone for joining this call. I hope we have been able to address all your queries. For any further information kindly get in touch with us. Thank you once again.
- Ankit Gupta:** Thank you, everyone.
- Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.