“Dollar Industries Limited
Q1 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Dollar Industries Limited Q1 FY2022 earnings conference call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Akhil Parekh from Elara Securities. Thank you and over to you Sir!

Akhil Parekh: Thanks Paloma. Good afternoon everyone. On behalf of Elara Securities I welcome you all to the earning earnings conference call of Dollar Industries for Q1 FY2022. From the company we have with us Mr. Vinod Kumar Gupta - MD and Chairman, Mr. Ankit Gupta - President, Marketing, Ms. Sashi Agarwal - Senior VP, Corporate Strategy and IR and Mr. Ajay Patodia - CFO. Without taking much time, I will hand over the call to Mr. Vinod Kumar Gupta for the opening remarks. Over to you Sir!

Vinod Kumar: Good evening ladies and gentlemen, on behalf of the entire management team at Dollar Industries, I welcome you all at the Q1 FY2022 post results conference call. I hope that you and all your loved ones are safe and healthy. We pray for the speedy recovery of those whose families have been battling the virus and request all to take utmost precautions and always wear a mask when going in public places.

As a responsible company, Dollar Industries organized a vaccination camp in Q1 FY2022 for the safety of its employees and its family members. Around 1500 people were given first and second dose in vaccination drive in Kolkata. Dollar as a company has always prioritized its role and duty towards the society and has acted actively for food and shelter to migrant laborers, workers in Tirupur and we also distributed masks and food supplies during the lockdown. We would like to share with you that today we have with us Mr. Ajay Patodia, Chief Financial Officer whose appointment has been approved by the board of directors in the board meeting conducted on 7 August 2021. Ajay comes from a strong background being a chartered account and has worked as a CFO in the similar industry. He has been handling the finance and accounts at senior level with the prior organizations since more than two decades. He takes charge as CFO with affect from 10 August 2021. We are happy to welcome Mr Ajay on board with us.

The year 2021 saw the lockdown in phased manner, which varied at different state level. In spite of the second wave challenges, our revenue has grown at 28.74% on a year-on-year basis while our EBITDA showed a growth of 25.74% on year-on-year basis. As an organization, we continue to focus on keep building on our growth pillars of brand distribution and digitalization to create maximum value for our shareholders. At Dollar

Industries, we always try to grow and maximize our stake holders value. Our thirst for growth has lead to us make a move on expansion plan. The company has planned a capex of around Rs.90 Crores to be invested for expansion of our spinning division, socks manufacturing unit and increasing production capacity both at Kolkata and Tirupur. Adding to this, the company is in the process to set up an integrate plant of 3.2 lakh square feet in West Bengal, which will be a fully automated digitized plant. This will cater us to grow our logistic facility and increase our efficiency. The company is also planning to introduce ESOP for its employees. The company will continue with its effort to bring down its working capital cycle by 15 days. The company has put down stricter policies around its trade policies, which have been accepted by the channel partners. We are very much positive that this joint effort will help in reducing working capital cycle. As you are all aware that the company went under the rebranding exercise because of which around Rs.79 Crores were incurred in FY2020-FY2021, but this year FY2021-FY2022 we have capped down our advertisement expenditure to the tune of Rs.55 Crores to Rs.60 Crores. We have kept the limit because all the necessary action has already been taken by the company to make it retail network and consumer is well adverse of the change in the brand architecture. I shall now invite Mr. Ankit Gupta who now takes over as President of Marketing to talk a bit more about our performance during this quarter. Thank you.

Ankit Gupta: Good evening everyone and warm welcome to the Q1 FY2022 earnings call. In Q1 FY2022, it was an equally challenging quarter as the second wave of COVID-19 impacted major parts of the country causing greater havoc and loss of lives leading to individual state wide lockdown and disrupt in the economy. In spite of all these challenges, we are glad that Dollar Industries reported good numbers in Q1. Our sales through e-commerce showed a growth of around 98% if we compared it with Q1 FY2021. As expected people and companies at large have accepted the culture of work from home.

Updating you on our project Lakshya, we have 61 number of distributors who have been brought under the project, where the distributer management system like DMS have been implanted. This is in line with our effort to move from the push base model to a replenishment model based. The unexpected second wave of COVID-19 slowed down our Lakshya project. Overall, we expect to achieve greater market penetrations from the primary and secondary sales, faster increase in the number of SKUs and distributor level and faster recovery of dues in the retail channels. We have prioritized the implementation of Lakshya project in the North Eastern region of the country and we are also planning to implement the project in Tamil Nadu, state of South India and we have already started the mapping process in Andhra Pradesh. We are also planning to implement auto replenishment system at our supply chain level, the process of which we have already started. Apart from that, we have started the process of moving over to SAP based ERP system from the Oracle based ERP system. As we are aware of what we have been since last year because of the pandemic, now in terms of our own work, the employees have flexibility of working from home generally during the lockdowns situations. This also brings us to focus on consumers who are slowly shifting to the online platform. Our new section of the youth is always hooked onto the screen for socializing. To cater to them we are also trying to reach out to them through our digital platform, so we have diverted a lot of our marketing expenditure to the digital marketing. That brings me to the end of my initial opening remarks. I shall now hand over the call to Mr. Ajay Patodia to discuss about the financial performance of the company during the quarter. Thank you.

Ajay Patodia: Thank you Ankitji. Good evening everyone. Welcome to Q1 earnings call of Dollar Industries Limited for FY2022. Quickly updating you on our financial performance. The company's total revenue for Q1 FY2022 issued at Rs.205.49 Crores as compared to Rs.159.62 Crores for Q1 FY2021 a growth of 28.74% for the quarter. The EBITDA of the company for Q1 FY2022 stood at Rs.36.25 Crores as compared to Rs.28.82 Crores for Q1 FY2021 a growth of 25.74% for this quarter. The profit before tax of the company for Q1 FY2022 stood at Rs.31.05 Crores that is 15.11% as compared to Rs.22.04 Crores that is 13.81% for Q1 FY2021, a growth of 40.86% for the quarter. The profit after tax of the company for Q1 FY2022 stood at Rs.23.16 Crores that is 11.7% as compared to Rs.16.30 Crores that is 10.21% for Q1 FY2021, a growth of 42.13% for the quarter.

Now moving on the Brand wise contribution for Q1 FY2022 that is BigBoss stood for 47%, Champion for 1%, Dollar socks at 1%, Force Go Wear at 1%, Force NXT at 2%, Missy stood at 8% and Regular at 40% of the total turnover. Now a small update on the joint venture with Pepe Jeans. The total revenue for Q1 FY2022 stood at Rs.1.29 Crores as compared to Rs.1.39 Crores for Q1 FY2021. The loss from the joint venture for Q1 FY2022 stood at Rs.1.14 Crores as against Rs.51 lakhs for Q1 FY2021 with our share of loss being Rs.57 lakh and Rs.25 lakhs respectively. We now open the forum for question and answer.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentleman, we will wait for a moment while the question queue assembles. The first question is from the line of Dhiral from PhillipCapital. Please go ahead.

Dhiral: Good afternoon Sir. Thank you for the opportunity. Sir my question is pertaining to the project Lakshya progress, which is still date so what is the total number of retailer that we have added under the project Lakshya and also from the existing dealer and retailer what is the shift under the project Lakshya?

Ankit Gupta: So in project Lakshya, we started the project with Karnataka then moved on to Rajasthan, started Gujarat, Maharashtra, now Telangana. We are planning to move to North East, Tamil Nadu as well as Andhra Pradesh. So till now we have not completed any of these states 100% but in terms of retail points around 1.25 lakh retailers we have already mapped out of which around 30,000 retailers have already been enrolled in our system under project Lakshya.

Dhiral: Sir any year end targets that we are working for?

Ankit Gupta: Actually from past two years we have been facing lockdown in our major season time, so Q1 is a good season time for the innerwear industry but like last year also there was lockdown and this year also there was a lockdown and project Lakshya demands a lot of field work for the sales team to go to the market, map the retail outlets as well as to enroll them and find a new distributor in their area, so it takes a lot of field work but due to this COVID situation the process has been slowed down. Nevertheless, we have already brought in 61 distributors into this particular project and by the end of the year we have a target of having 150 to 200 distributors under this project.

Dhiral: Okay and secondly what is your volume growth and realization growth in this quarter?

Ankit Gupta: Our volume growth was around 7% and the value growth was 21%.

Dhiral: So have we taken any price hike in the current quarter also?

Ankit Gupta: Yes in the month of April we took a price hike of around 5%.

Dhiral: So rest is on the product mix improvement right?

Ankit Gupta: Yes, but actually if you see the growth from Q1 last year to Q1 this year, so from October onwards, like October 2020 onwards, there has been a lot of price hikes in a staggered manner so form October till April, we have increased our prices like five to six times and overall we have increased around 20% price so that is why you are seeing a lot of value growth instead of a volume growth.

Dhiral: Okay and the third what is our strategy for the Force brands because when we are seeing in the Force Go Wear category there has been a sharp decline in sales year after year but our Force NXT brand is also not picking up that fast so what is the strategy for that brand particularly?

Ankit Gupta: Are you asking regarding the Pepe.

Dhiral: I am asking about the strategy for the Force brand category Sir?

Ankit Gupta: You are not clear. I am unable to understand your question.

Dhiral: Sir my question is pertaining to the strategy for our Force Next brand because we are not seeing the growth in that category Sir?

Ankit Gupta: So regarding Force NXT, like last year the contribution from Force NXT was 1%, which has increased to 2% this quarter. If you see year-on-year basis Q1 FY2021 and Q1 FY2022 so there has been an increase in the Force NXT sale and the category which has been really good in Force NXT is the athleisure category over there, so around 76% of our total sales in Force NXT comes from athleisure range, so in athleisure we have a whole lot of products like joggers, track pants, shorts, T-shirt, Polo, tank tops, gym vest so we have a lot of products in Force NXT, which is doing really good and now the market has also started picking up for Force NXT. With regards to Pepe jeans, I know that sales have been slow for the Q1, but overall if you see they are still like last year we did a sale of around Rs.17 Crores and this year also we are in line to have a sale of around Rs.24 Crores to Rs.25 Crores this fiscal.

Dhiral: Sir my question is pertaining to the A&P spend, so by capping the advertisement spend around Rs.55 Crores to Rs.60 Crores do you feel this will hamper our revenue growth as brand recall and brand spending is the only key differentiator sector for our kind of an industry?

Ankit Gupta: No actually it is not like that. We have made a very consciousness decision of capping our advertisement expenditure from Rs.55 Crores to Rs.60 Crores as because last year we have already made a very high expenditure in advertisement with regards to retail and shop branding, dealer booths, hoardings and TV advertisement and this year we are very hopeful that we can do with Rs.55 Crores to Rs.60 Crores of advertisement expenditure and yes with the guidance that we have given for the revenue growth around 13% to 15%, we will be able to achieve that with this particular number of advertisement distribution. There will not be any degrowth that we will see due to the advertisement expenditure.

Dhiral: Thank you so much and that is it from my side.

Moderator: Thank you. The next question is from the line of Ruchita Maheshwari from Arihant Capital. Please go ahead.

Ruchita Maheshwari: Good evening Sir. Sir I just wanted to know the gross margin, how should we estimate the movement of gross margin going forward because in Q1 FY2022 your gross margin was 62.1% whereas in Q4 FY2021 it was 57.2% and in Q1 FY2021 it was 54.7% so going forward what is your outlook on cotton prices plus how should we estimate your gross margin?

Ajay Patodia: Good evening Ruchita, myself Ajay Patodia, I am newly joined. Regarding gross margin, our gross margins is stable quarter to quarter. We had a target of around 34%.

Ruchita Maheshwari: You are targeting 34% gross margin.

Ajay Patodia: Yes.

Ruchita Maheshwari: But your gross margin in Q1 FY2022 is 62.1%

Ankit Gupta: So if you see the subcontracting expenses or the job expenses. That is a part of our production right so if you see generally we are in the lines of 63% to 63.5% that is the cost for COGS.

Ruchita Maheshwari: So your subcontract expenses should be included in the raw material that is what you are guiding at?

Ankit Gupta: Yes.

Ruchita Maheshwari: So 34% is kind of your running gross margin we should estimate going forward?

Ankit Gupta: The current running gross margin is around 36%, 37%. So the cost is around 63% if you see year-on-year on a yearly basis the averages comes to 63% itself. So 37% is the gross margin.

Ruchita Maheshwari: Fair enough and what is your outlook on cotton prices going forward?

Ankit Gupta: Going forward like for the next three to four months we do not see any hike in the prices of cotton and the yarn market also seem to be stable right now so we are not planning any price hikes also in the near future.

Ruchita Maheshwari: Okay and what about this XUAR issue, which is happening and that is keeping the cotton prices elevated level plus new cotton crop is still away, it will come in October kind of thing so still are we comfortable at the current prices or we are not estimating any price increase in the cotton front?

Ankit Gupta: If suppose there is a small hike in the cotton prices also we are not seeing any substantial increase in the yarn price ultimately and that is why we are not taking I think any future price hike in our products also. As far as our spinning unit is concerned, we have enough stock of cotton right now so it will not really matter our operation also, it will not really disrupt our operation also.

Ruchita Maheshwari: That sounds great and can you just give me the bifurcation of your premium contribution and your value contribution in this quarter plus how we should foresee for FY2022 as a whole?

Ankit Gupta: For this quarter in our premium range we have Force NXT which is around 2%, then we have Missy which is mid premium to premium somewhere between that so that is around 8%. Our BigBoss is in mid premium is around 47%, Champion is at 1% and Regular, the economy range of products that we have is around 40%.

Ruchita Maheshwari: Okay and this rate will continue going forward or the premium contribution will increase or this should be the going forward run rate?

Ankit Gupta: Ruchita the thing is we also want our premium range to increase and that is where our focus is also and we are hoping for the best and the Force NXT is doing really good right now. It has started picking up the momentum. With the athleisure range we are seeing a good traction in the market as well, so initially when we launched Force NXT, it was 100% inner wear but now around 70% of our athleisure in Force NXT is giving a very good value. In fact if you see the ASP also, the ASP has increased from Rs.118 to Rs.150 so these have increased just because of the increase in the contribution of the athleisure.

Ruchita Maheshwari: And as you guided that for FY2022 your revenue growth will be somewhere around 14% to 15%, what kind of EBITDA margin you will close in the FY2022?

Ankit Gupta: We are very hopeful that we will be able to close between 14.5% to 15%.

Ruchita Maheshwari: That is it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Sonal Minhas from Prescient Capital. Please go ahead with your question.

Sonal Minhas: I wanted to know regarding your working capital, may be if you have numbers to share quarter on quarter between Q4 last year and Q1 this year how have your debtors moved between the two quarters in the debtors specifically or secondly if you could alternatively share what debtors are you are working with in the dealers and distributors who are in Lakshya and those who are not in Lakshya, alternatively any of these basically if you could answer that? That is the first question?

Ankit Gupta: So regarding the working capital cycle in Q4 as on 31 March 2021 our working capital cycle was around 178 days where in the receivables was 121, inventory was 112 and payable days was around 55 days. So the total working capital cycle was 178 days. Just because due to the lockdown situation happening in different states with different rules and regulations like every state had different rules and regulations, so our Q1 sales was really down like what we budgeted and what we got. So, if you see the working capital cycle for the Q1 it would be very skewed because the sales was very low, so it will be best if we compare it from Q1 to Q1. Last year Q1 the total working capital cycle went up to 268 days just because there were just 45 days of working and we had to extrapolate based on the 90 receivable data and this year Q1 was 215 days, but at the end of the year what we think or what we are hopeful about is this 178 days of working capital cycle, which was as on 31 March 2021, we will reduce it by around 15 days this fiscal.

Sonal Minhas: Got it. Sir the second question I had was on what percentage of your sale gets done through the whole sale network right now and if you could share let us say let us say year-on-year as wholesale comes down so evidently any numbers around that is helpful?

Ankit Gupta: Our business is based on the traditional channel itself. We had distributors who thereafter sells it to the retailers. In a distributor model our sale is around 89%. All the domestic sales that we have is through the distributor model itself, export is about 9% and e-commerce or modern retail is around 2% to 2.5%. So, majorly our business is based on the distributor channel basis. We have around 1000 distributors. Out of this 61 distributors are in project Lakshya wherein we are seeing very good results in terms of secondary, primary and reduced debtor days as well but as a percentage of total sales or as a percentage of total distributors it is only very small number to extrapolate, so that is why we are not sharing a lot of number about Lakshya project. May be after this fiscal, we will be in a position to share the numbers with you guys so that then the numbers will be comparable or we can extrapolate to some of the regions. We can see zonal improvements or region wise data.

Sonal Minhas: Got it. Sir just a follow-on on the first question, your sales between June last year and now is up by Rs.45 Crores roughly? Last year June we were at Rs.160 Crores and this year June we are at Rs.204 Crores, so have the debtors come down or have they gone up between this period, just want an absolute numbers, so if the delta seen is up as Rs.45 Crores, so what is the delta debtors in crores?

Ankit Gupta: Our debtors as on June 30, 2020 versus June 30, 2021 we have reduced our total debtors by around Rs.45 Crores, Rs.47 Crores.

Sonal Minhas: Got it, thanks a lot.

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

Ankit Babel: Good evening Sir. A couple of questions. Firstly, in the presentation you had mentioned about your target of Rs.2000 Crores revenues by 2024, so just a clarification you are targeting by FY2024 or calendar year 2024?

Ankit Gupta: It would be 2023, 2024.

Ankit Babel: FY2024 right?

Ankit Gupta: Yes.

Ankit Babel: At that level of revenue what kind of EBITDA margins you are targeting?

Ankit Gupta: Around 17%.

Ankit Babel: Okay, good and Sir my next question is will we be debt free by the end of this fiscal?

Ankit Gupta: Not really, we are not planning for that, although our debts will remain at a very low level like before, but we are not seeing it to be debt free.

Ankit Babel: By next year you might be debt free?

Ankit Gupta: Currently we are not planning to actually, some amount of leverage should be there with the company, if you see our only debt is the short term borrowing, which is WCL or cash credit limit and the long term investment is just I think few lakhs and that will be also payable within a year's time.

Ankit Babel: Basically since your margins will be improving going forward and your working capital is also reducing plus there will be growth in the company, so the cash flows would be utilized for higher dividend instead of paying the debt?

Ankit Gupta: We have our capex plan, so we have planned for some 90 crores capex, which includes increasing the capacity of spinning unit almost double. We will be doubling our production of spinning, then we will be spending for our Socks Unit that is based out of Delhi and also like quarter or two before we announced that we will be making an integrated plant of around 3, 3.5 lakh square feet in Kolkata that is the integrated warehouse that we are making that will also have an impact of around Rs.50 Crores to Rs.60 Crores and all will be through internal accruals.

Ankit Babel: Sir why investing in the spinning unit where we have so much of capacity already there in India, none of the branded players spend in backward integration, I mean we have Jockey as an example which only focuses on cutting, packaging and distribution and focusing on branding rather than commoditized work of spinning and all those, why we are investing in that?

Ankit Gupta: From past one-and-a-half years, you might have seen that lot of yarn has been exported from India. The exports have increased the demand, the demand in supply gap have increased in India due to which a lot of shortage has been seen by the company, which led to the price growth as well and with this particular increase and the increase in demand and to reach the goal of Rs.2000 Crores in 2024, we have made a very conscious decision of increasing our yarn manufacturing like spinning the cotton into yarn and apart from that if you are talking about Page, Page has everything inhouse, so it procures the fabric and apart from that elastic, cutting, stitching, packing everything is inhouse, they employed around 20000, 22000 employees in the payroll and that is why if you see their subcontracting expenses is zero and everything goes into their employee benefit expenses, so we are also doing a lot of work inhouse and it is very labor intensive as well. We have made a very conscious decision and to achieve the goal of 2024, we will have to make certain capex so that we are able to increase our production whenever needed, so increasing the job offers for the stitching is no problem, but the major thing is procurement of yarn on time, the availability of yarn on time that is very important.

Ankit Babel: So we are planning the total investment from Rs.150 Crores in the next two, three years?

Ankit Gupta: Around Rs.140 Crores, Rs.150 Crores in a timeframe of one-and-a-half, two years maximum.

Ankit Babel: Would not it impact your recognition Sir, once you reach Rs.2000 Crores revenue with 17% margins, what kind of ROE you are targeting with this kind of investment?

Ankit Gupta: You are asking about ROE or ROCE?

Ankit Babel: Both Sir.

Ankit Gupta: We have to work it out little that would be somewhere around, like ROCE would be around 25%, 27%.

Ankit Babel: 25%, 27% ROCE, okay and this working capital what are your ultimate target in the next two, three years to bring it down to?

Ankit Gupta: Ultimately in next two to three years, we are very hopeful that Lakshya project will also be completed in next three, three-and-a-half years' time, so that the debtor days should decrease a lot, so overall like 100 days of inventory, around 125, 130 that would be a fair estimate to break.

Ankit Babel: Okay, thank you so much.

Moderator: Thank you. We move to the next question from the line of Bajarang Bafana from Sunidhi Securities. Please go ahead.

Bajarang Bafana: Congratulations Ankitji for the elevation and really welcome Patodiaji from the key competitor of the company. Ankitji just question on the volume growth side, last year we had been able to grow almost 17% on the volume front and this year you have already indicated that the price hikes were to the tune of almost 20%, so when we are guiding 14%, 15% kind of revenue growth that will be predominantly driven by the price hike that has been taken by the company last month, so can we get some sense that what sort of volume growth that we are looking for this year because Lakshya and all other things are already doing round for the company, so if you could write on that it will be really helpful.

Ankit Gupta: For FY2022, if you are guiding for the growth of 13% to 15%, the volume growth that we are looking forward to is around 7% to 8%.

Bajarang Bafana: Okay, even if you assume 7% to 8% volume growth and in the first quarter itself, the price hikes were in the tune of 20%, so will generally surpass the pricing that we are giving, so because of this steep price hike that has happened and still there is no sign that this yarn prices will cool down, would not you see it feasible to increase the revenue guidance?

Ankit Gupta: Since we are measuring this value growth as the volume growth on year-on-year basis, so last year Q1, the prices were very low and the prices of the products and the cost of the products also started rising from the month of September onwards right, so from September till month of April, the company has hiked the price by 20% on a faded manner. We took price hike for around five to six times, so that is why we are seeing very high value growth than the volume growth that this year we are not seeing any more further price hike like for the next three to four months at least, so that is why we are keeping it like around 8% volume growth and the rest of it would be the value growth or other growth that will be brought about from the change in the category also like if you see our ASP year-on-year, it has increased from 51 to 58 and the athleisure segment has contributed around 14% to our Q1 sales, so there has been an increase in the sale of athleisure segment as well.

Bajarang Bafana: And my second question is Ankitji on the joint venture side, we are seeing lot of traction which is happening on the e-commerce front and lot of movement across the globe is happening on this side, so are this venture has not till date the way probably at least the investors have brought up in last year, though you have guided something but can we see some more action on this front where more collaboration can happen and probably our sales could pick up faster in terms of overall percentage of our sales, so if you could guide on that front it would be really helpful.

Ankit Gupta: So the thing is we are very focused about the package in joint venture as well and working really hard to turn it around, actually the main problem is from last two years we are not getting the main season sale like Q1 is the highest for any inner wear sales for which the supply has to be done in the month of February or March, but during last Q1 also there was lockdown and this Q1 also state wise lockdown was happening with different rules and regulations, the market was not opening for a lot of time or let us say somewhere the market was opening from morning 7 to 12, somewhere the entire market was closed by 2 o'clock and at some places the market is not opening at all, the retail stores, the MBOs, so that is why we are lagging a bit behind in terms of the sale of this premium product, apart from that if you talk about online sales, the online sale has grown around 3X for Pepe Jeans joint venture and we have collaborated with all the major platforms and this year we are focusing a lot on e-commerce as well for this strategy and overall also as a company strategy, we are focusing on e-commerce sales because it is a huge opportunity that lies in front of us.

Bajarang Bafana: Thank you.

Moderator: Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: My question is what is your capacity utilization today and what do you think about total turnover approximately for the current year?

Ankit Gupta: Sorry, capacity utilization of what?

Shanti Patel: Our installed capacity, what is the capacity utilization today?

Ankit Gupta: We have a blend of both, so majorly our production is based out of job work basis wherein each of our intermediary processes are outsourced or given to the job worker for doing that particular process and it is scalable also and if you do not want to continue with it you can not do so also, so installed capacity like the backward integration that we have is not up to the 100% of our total production requirement, it is meeting only 25% to 30% of our total demands, so currently we are at 100% utilization itself and going further regarding the revenue guidance, it will be around 13% to 15% as I told before.

Shanti Patel: Okay and what is our market share in respect of our product in the organized sector?

Ankit Gupta: Sorry.

Shanti Patel: What is our market share in respect of the product?

Ankit Gupta: No data is available for the particular sector or no formal market research has been done for this particular sector, so there are a lot of unorganized players, there are lot of regional organized players, small players, there are end number of players in each and every state, so like in Chhattisgarh, you have Tin Ekka**,** in South you have Poomex, Poomer, there are lot of small, small players so an estimation the hosiery industry would be worth around, it would be 120 Crores people in India and everyone needs an inner wear so it is a basic necessity, so at least three to four in a year, so you can very well imagine how big is the market and how big is the opportunity that lies in front of us. Calculating market share would be really very difficult, because you do not have an exact number of how big the market is or how big the organized player or unorganized players are there, so we can roughly estimate that in men's range it would be around 50:50 percent organized versus unorganized. In women's it would be 66% to 70% unorganized and 30%, 35% organized. Kids is 90% unorganized, you do not see pan India brand selling kids wear, there are lot of small, small players or regional players in kids segment but you would not find a pan India national level brand who deals in the kids segment very efficiently.

Shanti Patel: But after GST came into picture, unorganized sector is not going down and down?

Ankit Gupta: Everyone thought in a similar manner, in fact we also thought in a similar manner that after GST would come in and after demonetization, the unorganized players will vanish from the market and the market share will go to the organized players, the big players, but that nothing happened, they are still there, they are still working and they have changed themselves with price I would say, so they are coming to the system.

Shanti Patel: Thank you very much.

Moderator: Thank you. The next question is from the line of Apurva Mehta from AM Investments. Please go ahead.

Apurva Mehta: About your vision Rs.2000 Crores by FY2023-2024 that will have a CAGR growth of close to 24%, 25%, so if you are guiding for 13% to 15% this year, then next two years you should be doing like more than 25% growth, so are you visualizing post this next year you will have a better growth story?

Ankit Gupta: The thing is that the company is in a transformation phase, a lot of things happening this year, so last year we changed our brand logo, the brand architecture and we are still working with the project Lakshya, the TOC, the vector program and this year the main season was lost due to some lockdown problems, so that is why we are giving a guidance from 13% to 15% this year and yes, our aspiration is to reach 2000 by FY2024 and we are hopeful that we will be able to meet our aspiration, meet our goals and we are working backwards also, so that our production, our supply chain also support the sale, so everyone is working in a similar direction, same direction and we are really very hopeful and the reason why we are giving 13% to 15% growth this year is because first quarter was not that good due to the lockdown happening each and every state and the timeline zone also very different for every state, the rules and regulations, the market opening times, some of the district the market did not open, we are obviously still under lockdown, so the markets are not opening at all, so keeping everything in mind and given the sales of first quarter, so we are keeping the growth at 13% to 15% only for this particular fiscal.

Apurva Mehta: And your export front you have written that there is a threefold growth in Q1 and so what will be our target for this year on the export growth side, this is to be much, much higher than and why so the threefold growth?

Ankit Gupta: If you compare Q1 FY2020 with Q1 FY2021, you saw that our exports are three time what it was last year quarter was, so overall our export should be around 8% to 9% of our sales and last year it was around Rs.65 Crores, Rs.67 Crores of our exports, so this year it would be around 8% to 9% of our total sales.

Apurva Mehta: And Sir one more thing was that when we were listing to Vinodji on Zee news, Zee TV, he has guided 16% to 17% EBITDA, PBT of 15% and PAT of 11%, so there is some contradictory when you are guiding 13% to 15% kind of EBITDA and just now when we are listening about half an hour back interview in Zee news, so why such contradictory or are we conservative in giving the guidance to the analysis community is it that or?

Ankit Gupta: We have always been conservative about giving the guidance to everyone, but I think we are mistaken first thing over year, in Zee Business today when the interview was happening, the levels that you spoke about like 17%, 17.5% of EBITDA or 11% of PAT that is the Q1 number he was calling out and not the guidance that he was giving on the news channel.

Apurva Mehta: But it was specifically asked, he told that we will maintain such kind of 16% to 17% of EBITDA?

Ankit Gupta: The guidance that he was giving on the interview that was just Q1 numbers he was repeating on the interview, so I just hear the interview once again, if I see there is an discrepancy I will clarify that with the channel itself.

Apurva Mehta: Okay, thank you and all the best.

Moderator: Thank you. The next question is from the line of Sonal Minhas from Prescient Capital. Please go ahead.

Sonal Minhas: Sir two questions, tentatively what is the lost sale due to COVID, the second wave in Q1 and basically relating to the number of days you were working this quarter and how was things look like from July onwards basically, how do you see things now?

Ankit Gupta: We have lost around Rs.100 Crores of business in Q1 due to the lockdown and we are trying to make this up in Q2 and Q3 itself.

Sonal Minhas: Perfect, got it. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Pushkar Jain from Sequent Investment. Please go ahead.

Pushkar Jain: My question has answered. Thank you.

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

Ankit Babel: My questions also have been answered. Thank you.

Moderator: Thank you. We take the last question from the line of Bajarang Bafana from Sunidhi Securities. Please go ahead.

Bajarang Bafana: Thanks for the opportunity again. Ankitji just one question. If we talk about our investments in the spinning unit that is really I would observe this move because I am very closely following this sector and the dynamics of textile sector in India has got for the structural change and from next couple of years forget days when the spinning units were making 5%, 7% margin that trajectory have moved to much higher levels and absolutely a conscious decision to go for the spinning investments because that will go a long way for managing the margins in the near to medium term and I hope that the analyst community will learn this soon with this new reality which is emerging in the sector, but going by these investments, since we are going to be fully integrated player vis-à-vis the competition which is not fully integrated in the sense from yarn to the end product, so still we are having not the sector leading margins that is there for us, we are still guiding 15% or may be potential margins of 17%, but whereas these players have already moved to 20% kind of margin, so when you talk about 2024 when all these sinks will be more or less done for us, can't we see this broader trajectory of margins will be industry leading, so that is the thing if you could guide on that it will be really helpful.

Ankit Gupta: The thing is that as I said the company is in a transformational phase, a lot of thing is going on in the company like from brand architectural change, the logo change, then project Lakshya is ongoing, lot of expenditure has been spent on project Lakshya as well, the team size is now around 125 people working in project Lakshya itself. Apart from that we are migrating to a newer ERP system, which is also a good amount of expenditure and good amount of time taking process, so lot of time will be consumed in all these projects and lot of cost will be incurred in that, that is the reason we are giving the guidance on a conservative basis, giving the EBITDA level on the same level. After we had completed our transformation or we have reached to a certain level where our proper efficiency has been seen with all these projects that are ongoing right now, so then we will see a very good change, whether it will be the sales level or the margin level, but yes it would be one, one-and-a-half, two years or after, not currently or not immediately.

Bajarang Bafana: Okay, probably I believe that it is too premature to probably talk about gross margins, let this Lakshya to be completed first and hopefully you can guide better what sort of trajectory that probably we will be into.

Ankit Gupta: Yes, yes we are very hopeful for that.

Bajarang Bafana: Thank you very much and all the best wishes for your good performance going ahead.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to Akhil Parekh for his closing comments of Elara Securities. Over to you Sir.

Akhil Parekh: On behalf of Elara Securities I would like to thank everyone and the management team of Dollar industry. I would hand over the call to the management for any closing remarks.

Ankit Gupta: Thank you everyone for joining this call. I hope we have been able to address all the queries. For any further information or any further question, kindly get in touch with us and thank you once again. Stay safe, stay healthy.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Elara Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.