“Dollar Industries Limited
Q3 FY21 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Dollar Industries Q3 FY'21 Earnings Conference Call hosted by Elara Securities India 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 call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Akhil Parekh from Elara Securities. Thank you and over to you Sir.

Akhil Parekh: Thanks Renit. On behalf of Elara Securities, I welcome you all to Q3 FY'21 conference call of Dollar Industries. From the management side, we have with us Ms. Shashi Agarwal - Senior VP - Corporate Strategies, Mr. Ankit Gupta - Chief Financial Officer. I would like to congratulate management for delivering again a good set of numbers this quarter. I will not take much time. Over to you madam for the opening remarks before we open the floor for Q&A.

Shashi Agarwal: Thank you Akhil. Good afternoon everyone. Welcome to the Q3 earnings call of Dollar Industries Limited. We witnessed the first digital and much awaited budget among unprecedented times. The government presented a pragmatic and growth-oriented budget focusing on expenditure at a time when fiscal deficit is running very high. The budget is focused on segments that matter the most today. That is the capital expenditure and health. They will help in creation of more jobs in the market giving a push to overall economy and accelerate growth. The budget also helps increase the consumption and demand at consumer level which is what the economy needs at the moment. Textile industries found a special place in the budget wherein seven national textile parks have been announced which will make India a competitive manufacturing and exporting hub. The budget 2021 adds to a positive outlook to the sector, the complete focused journey towards growth gets an additional boost. We now need to capitalize on the demand being generated at the consumer level. This quarter, the company has recorded exceptionally good growth in sales. The endeavor of the company on timely realization of debtors has resulted in increasing positive cash flow from operations. In spite of increase in cotton prices, the company has been able to maintain its profitability margin. The cotton prices jumped over 10% in the current fiscal. The company had to take measures to combat the sharp increase in price of cotton by increasing the prices of the finished products.

Now moving on to the financials, the company's overall total revenue for the Q3 FY'21 and nine months ended FY'21 stood at Rs.312.44 Crores and Rs.730 Crores as compared to Rs.255.43 Crores and Rs.733.14 Crores for Q3 FY'20 and nine months ended FY'20. A growth of 22.32% for Q3 FY'21 and year-to-date remains flattish. The EBITDA of the company for Q3 FY'21 stood at Rs.43.81 Crores that is 14.02% and nine months ended stood at Rs.108.32 Crores that is 14.84%. As compared to Rs.33.94 Crores that is 13.29% in Q3 FY'20 and Rs.85.07 Crores that is 11.6% in nine months ended FY'20, so a growth of 29.09% for Q3 FY'21 and 27.32% for the year-to-date FY'21. The PBT for the Q3 FY'21 and nine months ended FY'21 stood at Rs.38.27 Crores that is 12.25% and Rs.90.24 Crores that is 12.36% as compared to Rs.26.62 Crores that is 10.42% and Rs.62.95 Crores that is 8.59% for Q3 FY'20 and nine months ended FY'20. So, we witnessed a growth of 43.73% and 43.34% respectively. The PAT for Q3 FY'21 and nine months ended FY'21 stood at Rs.28.38 Crores that is 9.08% and Rs.68.07 Crores that is 9.32% as compared to Rs.19.58 Crores that is 7.67% and Rs.46.58 Crores that is 6.35% for Q3 FY'20 and nine months ended FY'20. So, we witnessed a growth of 44.95% and 46.11% respectively.

Now moving on to the brand-wise contribution for the nine months quarter ended and year to date, in Q3 our brand contribution was BigBoss 40%, Dollar Socks 2%, Force Go Wear 2%, Force NXT 3%, Missy 7%, Regular 28%, Thermals 18%. When we talk about year to date nine months ended, BigBoss is 41%, Soft is 1%, Force Go Wear is 3%, Force NXT is 2%, Missy is 7%, Regular is 33%, and Thermals is 13%.

Now a small update about our JV-CO company. The JV-CO is working on launching e-commerce, B2B, and channel expansion. Focus is also there on building exclusive space, like shopping shop in large multibrand outlets and hosiery stores. The total revenue for Q3 FY'21 stood at Rs.4.63 Crores and nine months ended FY'21 stood at Rs.11.46 Crores as compared to Rs.4.15 Crores and Rs.12.88 Crores for Q3 FY'20 and nine months ended FY'20. So, we witnessed a growth of 11.57% for the Q3 result, but a de-growth of 11% if we take nine months ended figure. The loss from the joint venture for the Q3 FY'21 stood at Rs.1.23 Crores with our share of loss being Rs.61 lakhs. I now open the forum for the Q&A.

Moderator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on the touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handsets while asking questions. Ladies and gentlemen we will wait for a moment while the question queue assembles. To ask questions please press "*" and "1". The first question is from the line of Shalini from Quantum Securities. Please go ahead.

Shalini: Good evening to everybody. If you could just please say what is the growth in the economy and the premium segments, growth in the Q3 and may be if you could just please share the nine months also, it will be very useful?

Shashi Agarwal: I will take this question. We have economy range of products. We also operate in the mid premium through Dollar Men now which is comprising of the collections of BigBoss and when we move on to the premium segments through our presence into Force NXT and we also have shaken hands with Pepe Jeans, which you have heard about, so these are the three segments. In the economy product, if I talk about my growth basically I am having a volume growth here, perhaps a good volume growth coming for us here of approximately 36%. The pricing remained flat this quarter, so the entire contribution which was increased has come from my regular economy volume change. BigBoss if I talk about my mid premium segment BigBoss, we again saw a volume growth roundabout 32% there. Pricing again remaining kind of flattish, slight 1% of decline in pricing, so there also whatever contribution coming from these mid premium and economy segments has been mainly because of volume changes.

Shalini: And madam, on premium thermals and Athleisure?

Shashi Agarwal: Okay, BigBoss collection and economy they all comprises of the Athleisure here itself, so we do not have a separate breakup for the Athleisure. But definitely thermals we can talk about because thermal is a different collection altogether that is Ultra. If I talk about this quarter, because here in the quarter we see a decline in thermal sales because most of the sales for this particular season happened in the second quarter. If we talk about this third quarter, we saw a decline of the volume in terms of 8% and also the overall pricing had gone up for the thermal round about 2.5%, so overall growth stood at roundabout negative 6% in thermals. If we talk about Force NXT, again we saw roundabout 9% volume growth with the value growth standing at 11% which is putting a certain value change as 22%. Athleisure segment, we are still running the post-COVID segment which we will gradually phase out. Here also we did see an increase in overall percentage in terms of volume of 1.5% with an ASP roundabout 1%, so overall growth standing at about 2.74% here. In socks, definitely there was a huge decline because the demand for the socks has not since opened up, as schools and offices remaining closed. There, I will put at 18.5% decline in volume, with decline in the ASP as well, so overall 20% decline in socks volume. In Missy also there was not much of a growth here. Overall, if taking all portfolio together, we will see a volume change of 26% jump with a 5% decline in ASP, roundabout 20% overall increase in my value here.

Shalini: Okay, and your future growth drivers will be what madam?

Shashi Agarwal: My future growth drivers, definitely we have been talking about Missy, which we have been talking about in terms of brand. Athleisure which has been recently introduced on all these three verticals that is the BigBoss, Force NXT, with economy segments, with women segment that is Missy, so all these segments now carry Athleisure into their verticals, so that is why we are concentrating hard on this. Again, we have seen big volume changes across BigBoss, economy segments, Force NXT, so these are going to definitely take this further, with the focus also on to the lingerie segment which we will be launching very shortly in the next fiscal now, which has been missing from our portfolio. Again, that is going to add up to our current market penetration which will complete the products which we have to offer to the consumer. Again, if I have to look at these percentage, honestly there has been good traction in Athleisure. Overall percentage wise, I see from 10% to 11% of the total portfolio is what we have moved from, like last quarter it was 10%, this quarter it is 11% in the overall portfolio level of Athleisure. Again, coming back for channels, online has been very good for us again. In the last quarter we talked about a good jump in terms of online sales concerned and the same traction is there. We have seen a good growth in terms of the demand coming from the online platform to us and we think that we will be able to drive this number to roundabout to another percent, currently the online platforms contribute to 3%, which I am sure it might move on to 3.5% to 4% by the end of the fiscal. We have to be mindful that large format stores and departmental stores also coming to the e-commerce platform that has actually pulled down my overall numbers in terms of contribution. Otherwise, we would definitely have seen a jump there. So, these are the small factors which are going to drive us and not to forget the way we have been working and we have seen good positive results, and we are in full throttle to go to pan India the entire process in a phased manner. We have already touched upon five states now, Maharashtra, Gujarat, Telangana; three new states being added. Very shortly, we will be opening up in two or three more states. We are sure that this is going to help us drive our growth numbers.

Shalini: My last question. The last time you had said that your target for FY'21 in terms of debtor days would be something around 160. Where are we with respect to that?

Shashi Agarwal: Currently we are standing at 133.

Shalini: Okay, we are at 133. Madam, earlier your debtor days used to be much higher. What has Dollar done to really bring down debtor days, because I think it used to be above 200 at the end of FY'20? What has Dollar done to reduce its debtor days?

Shashi Agarwal: We have set up a process in terms of the collections is concerned. First of all, I would say that the entire COVID era, which has compelled us to be very stringent with our realization. It has taught us a lesson that yes, if we can drive this in this difficult time we can surely drive this in the times when things are better as well. Our strict policy in terms of realization with the debtors, channel financing as well has been put across to the dealers, and then we have understood that yes, this needs to be driven across with responsibilities being assigned to the respective state heads, agents, etc. I think that has helped us to strike the numbers down. I am sure that we will further bring this number down in another quarter. Efforts from the company's side will be there consistently to get the numbers at a much acceptable level.

Shalini: Madam, you are not changing your FY'21 target for debtor days to 110 or something?

Shashi Agarwal: We would definitely want to get around 100 to 110,that is what we are working on. The results have been rewarding and we have been able to perform and stand where we want to. Yes, we are looking for 100 to 110 days as realization days for fiscal end.

Shalini: Okay, thank you madam. All the best.

Moderator: Thank you. The next question is from the line of James who is an individual investor. Please go ahead.

James: Hello. Thank you madam for taking my questions. Regarding your advertisement spend or the marketing spend, I just wanted to know how much did we end up spending this quarter and what is the number for the full year?

Shashi Agarwal: The company has spent around Rs.52 Crores nine months ended as compared to Rs.69 Crores last year.

James: And for the full year, last time we had guided for Rs.60 to Rs.65 Crores. Are we sticking to that madam or will there be any additional spend?

Shashi Agarwal: We might come around about Rs.69 Crores. Rs.65 Crores was the target, we might stretch a little by Rs.5 Crores.

James: Understood. Madam, on receivables, you had said that we are about 133 days. On inventory, how is the situation? Are we seeing overall destocking in our channel or how is the situation?

Shashi Agarwal: If we calculate inventories on the sales, again there has been improvement there as well, say we would stand at roundabout 115 days of inventory. We are working towards rationalize our inventories both for the FG and the raw materials because the consultants have started working on the back-end side as well, that is the production supply chain side, where to rationalize the produce whatever is required, which is being demanded from the market and we have sold there. Those kinds of rationalization is happening at the backend, which again will take some time, but we are sure that we will get down the inventory days number as well.

James: Understood. And our net debt levels, where are we today madam?

Shashi Agarwal: There is again an improvement. We have cash on 55 days approximately there, so overall a good improvement. The entire working capital cycle has improved for the company and the cash flow has been very, very positive for the organization for the nine months ended. By the year end, in the fiscal, when you see the cash flow statement I think it should be good.

Moderator: Thank you. The next question is from the line of Kirtan Desai who is an individual investor. Please go ahead.

Kirtan Desai: First of all congratulations madam for the good set of numbers and for this financial year as well. I have a question regarding the kind of growth we are seeing in BigBoss. Is it attributed to the new geographies or it is also attributed within the existing geographies also?

Shashi Agarwal: It is a combination of both. The simple reason is not only because we are cementing ourselves in the geographies we were serving, definitely there has been expansion in geographies. Like for example, let me quote when we worked on the project Lakshya in Rajasthan. There have been areas where we were directly not serving the particular geographical region, so there we have appointed distributors. In the project Lakshya, if I have to look at, we have appointed at least 50% of the distributors currently working in project Lakshya are newly appointed distributors in a different region altogether. So geographical penetration is definitely there. Apart from that, another thing which has added value to my BigBoss portfolio is the Athleisure segment. This particular segment has also helped us increase our ASP of the overall portfolio, number one. Number two, it also helped us increase the volumes there. And definitely the traction from the market has also increased because of the demand at the consumer level. All these three factors combined have helped us grow in the economy and BigBoss portfolio.

Kirtan Desai: **(inaudible)24:54** women portfolio basically in UP we are not able to grow in the space where we are supposed to when we are launching another product in the same segment, so how do you see that?

Shashi Agarwal: There has been a degrowth in Missy. The simple reason for degrowth in Missy is because of the current pandemic situation. There are two most affected products in our entire portfolio. One was socks and the other was Missy leggings. Still the schools have not reopened. The offices have started opening up. The demand was also not there in the market at the consumer level. Since there is no demand, definitely there will be no sales. Socks is definitely taking a hit. Again, in a similar way if we talk about the leggings, at least six or seven months women did not move out of the houses and they still did not want to spend for the leggings, because you have to actually go out, venture out to buy the exact colour of the leggings matching your kurta set. Those kinds of demands were not there, but now we are seeing the traction building up for Missy as well because Missy leggings contribute to around 45% of our entire Missy portfolio, that is a big number and if you see degrowth there that will definitely pull down the overall contribution of Missy to my portfolio, but if we talk about March 2020, Missy was contributing to about 9% to the portfolio which has come down to 7%, but we are sure that we will see the traction building up once these things have regularized and we are seeing the demand coming back for leggings and socks as well. So, these kinds of portfolio if you talk about, it is not that we have not been able to build up it is because of the current pandemic situation which has actually led to degrowth of these two portfolios. Again, coming back to Force NXT or the premium side of products, we have to appreciate that these premium products generally sell more in the urban areas than the rural ones, and maximum of the retail shops in the urban areas in the major cities did not open up till October or November. Since December we are seeing traction, they have started opening up the shops, people are moving to the market to buy products. That kind of situation has led to the stagnancy of these portfolios there. With things normalizing now, people going back to the track of their daily routines in life, I am sure we will see those tractions coming up into the market and we will grow at a faster pace.

Kirtan Desai: Okay, fine, thank you madam. That is all from my side.

Moderator: Thank you. The next question is from the line of Mohit Baheti from L&T Mutual Funds. Please go ahead.

Mohit Baheti: Thank you for the opportunity. I just wanted to get more sense on our EBITDA margins. We are at around almost 14% now, even on a Q-o-Q basis despite a 5% decline in gross margin, our EBITDA margins are slightly up. So, should be believe that these margins are sustainable?

Shashi Agarwal: Definitely these margins are sustainable Mohit because there are two to three reasons behind it. Number one, the company overall has decided to cut on to the advertisement expenditure. The budget for the advertisement has been capped at Rs.65 to Rs.70 Crores and would continue at the same levels for the next year as well. Traditionally, we were linking the advertisement spends to the sales, to the turnover of the company, wherein we have now limited that to in absolute numbers rather than as a percentage to sales, so that is number one reason we will see those numbers coming down. Secondly, in other expenses also, like we are spreading that same number of expenses which is generally those expenses are fixed in nature. If you are spreading them over to the greater turnover numbers, definitely the percentage will come down. So, there you will get the benefit as well, and the company is also working in terms of increasing the margins which are in level to the product mix, you will see a higher range of product being introduced and the ASP going up further which will again give you better gross margins and definitely flow into the EBITDA as well. So, all these three or four factors put together would help us sustain our EBITDA margin and rather increase it.

Mohit Baheti: Alright. Would you be able to just quantify that what is the absolute amount of ad spend this quarter we have decided?

Shashi Agarwal: We are currently targeting Rs.70 Crores annually.

Mohit Baheti: Alright. My second question is what will be our volume growth for the quarter?

Shashi Agarwal: The volume growth for the quarter is roundabout 26%.

Mohit Baheti: Okay. So, the 4% decline what we have reported is because of Indian mix or there is ASP decline in your products?

Shashi Agarwal: ASP decline is there.

Mohit Baheti: That would be majorly in BigBoss category?

Shashi Agarwal: No, that would be majorly, ASP has gone down for my different other products, thermals, Champion, Force Go Wear, a little in Missy because Missy leggings are not being sold, majorly the demand is in the intimate wear. So, those kinds of changes have contributed to my ASP decline. Moreso, if you really look at the numbers, BigBoss would have been the major contributor in terms of the product percentage mix. This quarter, we have 40% of BigBoss contribution, whereas traditionally the numbers were much higher if you look at the contribution coming from BigBoss. The economy range has taken over BigBoss this time. That kind of changes has actually led us to the ASP decline.

Mohit Baheti: Okay. With this increased RM prices would you take price hike going forward after facing this realization decline?

Shashi Agarwal: Yes, absolutely. We have taken price hike already somewhere around November, December, January because the prices have started shooting up November onwards and there has been a big spike in pricing of cotton resulting in price hikes of yarn as well. So, we have already done that in November, December, and January and we are yet to take another price hike in mid February or March.

Moderator: Thank you. The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

Pranav Tendulkar: Thanks a lot and congratulations on a great quarter. Shashi I have just two questions. One is that digitization that you are implementing which is ARS and then DMS. How much of your network is now currently covered in this and at which level? Is it at the retail endpoint or is it at a distributor or wholesaler level that we are talking about in-time replenishment and other digital initiatives? Second is that the receivables improvement that you are seeing continuously is it a part of that area of constraints implementation or is it a part of general shift in terms of trade, are you giving some benefits to distributions because you are reducing the receivables or is it that something else which is resulting in this? Thanks a lot.

Shashi Agarwal: I will take up your digitization question. Most of the digitization which you see there is the result of the project Lakshya where we are implementing the replenishment model. When we enroll or when we take a new distributor under this current project they have to compulsorily follow certain digitization methodology. Number one would be the auto-replenishment system that is basically we have visibility to the inventories at the distributor level, that is done through our distribution management system, which is DMS, which they have to implement mandatorily at their end which is a compulsion. When we have the distribution management system, we have the visibility of the sales being made at their end and what is the inventory held by them on a daily basis. That is a realtime visibility which we have. Once we have that, we definitely know what sales is being made for them. We also know what is the inventory being held by them for a particular stock. This gives us an understanding of what is being required for them and definitely we have been working on this for a while. We have some historical data and we know that what kind of a requirement would come for them for the next 15 to 20 days or a month's time. Accordingly, we replenish or send the supplies to the distributors, they do not have to raise, we will do it on our own, and this kind of replenishment system is working on a weekly basis currently. So these two tools put together help us get a visibility at the distributor level. Now, this has only been done with my project Lakshya which is we are talking about constant replenishment model. This has not been implemented in the business in general at large. Now the thing is that we plan to convert the general traditional way of doing business which we were doing into this particular system and this would happen in a phased manner. The similar kind of methodology will be implemented into our backend system that is the production supply chain system. There, we would produce only what is being ordered or what is being demanded in the market once we have the visibility. The team has already started implementing this system at the supply chain level. It would take a while again, once we do that we will see a lot of fractionalization happening at the inventory, at all the levels, at the metro level, at the central warehouse level, at the depot level. So, these kinds of fractionalization will start happening at the inventories also. The fourth one which we talked about in the presentation is about having the visibility of what the sales officers are doing in the field. They are to serve them or address their queries, and transactional orders are being taken by us sitting at the backend at your location.

Pranav Tendulkar: Right, how much percent of our distributors will be now on this? Is every distributor on the system?

Shashi Agarwal: Right now it is a very small number. We have started with five and around 40 to 50 distributors we are talking here now. It is a very small percentage, but when I track my nine-month numbers in terms of primary sales it is around 2.5% of my total turnover. Yes, we need a little movement there, but again that 2.5% is still small in my total primary number. We have to convert them faster into a bigger number.

Pranav Tendulkar: Right, what are the different financial parameters on which the distributors which are converted on this system differ from the existing distribution channel? What are the three factors that you define as the success of this implementation?

Shashi Agarwal: We actually gave the go ahead to variety of the entire distributors. Credibility is one of the key main factors. Then, willingness to adapt to the technology is another key factor because without digitization this would not help us take us any further. That is another change or the willingness of the distributor to change to technology is a key factor. The next parameter is availability of his warehousing capacities, requirements to have certain number of people to serve this kind of process which we are implementing. Apart from that, his willingness not to sell in bulk and become a wholesaler again. He should actually replenish and serve the areas allocated to him to the retailer and not to the wholesalers and not become a wholesaler by himself, so these are the parameters.

Pranav Tendulkar: So, where you have implemented has the turnover of the distributor gone up for the defined area or has the cash flow improved or is there anything that has qualitatively changed for the business?

Shashi Agarwal: Yes, we have experienced this in Rajasthan, Karnataka. We are seeing the same thing in Maharashtra, Gujarat and Telangana. Though the numbers of the rollout survey is small, but yet we have seen that. Karnataka is more or less one-and-half years, so they have been the first distributors who have enrolled into the system. The secondary sales have gone multiple times up. His penetration in market has increased. His realization at the retail level has been better. His number of days has come down. The SKU is held by the distributor, the number of SKU to which he was previously selling and now which he is currently holding in the inventory has gone up. With the same amount of investment, he has been able to hold bigger inventories, bigger in terms of large number of SKU and his sale has gone up with the investment being at the same level.

Pranav Tendulkar: Great. The second question is about receivables. What are you exactly changing?

Shashi Agarwal: Receivables, I would not say that this is a contribution of the project Lakshya here rather this is an effort which has been taken by the company for the business in general where we have been strict with the terms of the trade. The terms of the trade always have been fixed, but people were taking the leeway at times and we were also allowing them to take that kind of benefit, I would put it this way, which we have been strict with. Number one, I would say the major driver was the kind of demand being higher and supply being shorter initially from the first quarter when we opened up. There was a lot of demand in the market, whereas the supply was limited. That compelled us to supply on cash basis and this also compelled us to choose between whom to supply and whom not to supply. So probably that particular trend which we took up at that point of time has helped us continue with the same trend and we have been stricter and the distributors have understood that they have to make timely payment. Moreover, we see that the requirement of channel financing especially when we talk about project Lakshya since it is a very, very automated process people see the need of getting channel financing. So, a little traction also we are seeing there in the market. Overall, we would say that the stringent policy at the company level not to supply to the distributors who are not making on-time payments has helped us get it done. We have a simple policy, whatever we realize, if the outstanding is beyond control for a particular debtor, we will only supply him 50% of whatever he has paid. We will not give him the full supply. Those kinds of stringent policies have helped us bring down those number of days.

Moderator: Thank you. Before we take the next question, we would like to request participants that in order that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a followup question, we request you to rejoin the queue. The next question is from the line of Neerav Savay from HDFC Securities. Please go ahead.

Neerav Savay: Good evening madam and thanks for the opportunity. I have two questions, one is the timeline for the restructuring of the distribution channel and we have been doing it for almost one to one-and-a-half years now, so how long can it continue? And the second thing is contribution from the LFS segment? This year it has impacted the most, but how much would have LFS contributed last year?

Shashi Agarwal: Last year I would say LFS would have contributed around 1.5% approximately. Because we generally take that modern retail e-commerce platform that is online channel and LFS together as a modern retail platform and then report those numbers. There would be 50%. I would say much more demand was there from the online platform. I would not be surprised if that number would have such percentage also, but currently this year it has been absolutely disastrous. I would say whatever you see currently in the modern retail segment it would be more kind of a normal platform. What was the other question?

Neerav Savay: Timelines for the restructuring of distribution which we have been doing. How much time will it take to roll out across entire country?

Shashi Agarwal: You would have definitely understood that it is a very, very big and length process to implement. They always line at the initial stage when we implement something and try to make a big change. We are trying to change the entire system which has been running in the same way for years now. That is another change. The most important change is the mindset which is you have to bring about in the entire organization, in the sales force team which is there on the ground. They have to change the way they have been working, also at the level of the distributors and the retailers, so that is a very, very big change. This is a very big term here. I would say that by 2022

I would want to start this process in all the states of India, pan India, and definitely it will be a gradual process. In the likes of Karnataka, we are targeting March 2021 to cover at least 80% of Karnataka. We are targeting to cover 80% of Rajasthan. Like these kinds of numbers we are putting here. What is the timeline is a big number here, but by 2022 we want to start this process in all the states in India, that is what we can commit right now.

Neerav Savay: Right and good, and also one followup question you said that you are going to launch a lingerie wear in a couple of months. Would it be under the existing Missy brand or would it be altogether a new brand? What would be the targeted revenue for the next three to four years or so in this segment?

Ankit Gupta: If we talk about lingerie, we will be launching it in the next six or seven months' time. In the next fiscal, we will see the launch of lingerie in the Missy segment. We are not creating another or a separate brand for that. This product category will be added in the brand Missy only and if you talk about in the next four to five years we have not planned it that way right now because this is a very difficult product category to enter into. It took us a lot of time, so we have developed quite a few numbers of styles in that. Initially we will be launching with six to eight styles and thereafter based on the market feedback and test and trial method by the end of next fiscal we will be coming out with another four or five styles and complete our range. It is really difficult to give a number to it, but we are very hopeful that we are going to bring a change in the market.

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

Devanshu Bansal: Thanks for the opportunity. In the initial remarks, you mentioned that the government's plan to have seven textile parks. So what kind of opportunity and benefits are we sensing here?

Shashi Agarwal: This is in the overall textile level which they have announced and definitely if you really look at the hosiery segments in the textile industry itself, definitely it would be of benefit in terms of the export-oriented units. We are into exports as well. We have 5% to 7% of total revenue contributed by exports. This is another opportunity which we see here. If you ask that have we seen any or just kind of we are thinking to get into it, it is a very, very early stage to decide to work onto it. The team already is looking into how we can get the maximum benefit here, that is one thing which we are looking at. There is nothing concrete in terms of how this would benefit for us as a company. There is a lot to benefit here, manufacturing benefits in terms of concession and subsidies being announced by the government, I am sure they are in line. If you have to talk at the company level, it is too early for us to commit anything right now.

Devanshu Bansal: Okay, my second question is on the RM pricing trend. How are the prices trending now and does the increase in custom duty on cotton also impact us or we were sourcing locally only?

Shashi Agarwal: For cotton we have been sourcing, we do source cotton and that also gives us insight into the cotton pricing which definitely in terms impacts the yarn pricing. The prices of cotton started increasing in November because of the spike. We have taken quite a jump in the three months' time. There has been roundabout 35% jump, if you look at the yarn prices there has been a jump of roundabout 35%. If I talk about cotton, we were sourcing our cotton candy which is roundabout 355 kg per bale per candy, which is roundabout 40,000. Today the same cotton candy comes at 44,000, there is a 10% jump there if you look at the nine months' level. Yarn prices have also shot up, 5% to 10% gone up, which in turn would impact our pricing and our margins. So, those have been passed in a phased manner to the consumers. I would not say completely to the consumers, but to the channel. You will see a price hike at all levels, at the MRP level. The MRP has changed for the consumers. The dealer prices have gone up, so all these channels have absorbed the price hike. More price hike is to come before this fiscal ends, somewhere between mid February to March.

Devanshu Bansal: Okay, so we do not see it normalizing in the near terms. You are expecting the prices to remain elevated.

Shashi Agarwal: We are very, very uncertain of the pricing currently.

Ankit Gupta: What is happening is the market has been very unstable and skeptical about the prices of yarn right now. What we emphasize is by the month of May to should get stable, but before that we do not see any drop or any stability in the prices of the yarn.

Devanshu Bansal: Okay, one last question from my side. You indicated advertisement expenses to remain at lower levels in the coming fiscal as well. Is this an industry wide phenomenon or this is a strategic decision taken by us only?

Ankit Gupta: In the next fiscal what we are planning is capping the advertisement expenses to around Rs.65 to Rs.70 Crores as Shashi told. This is the strategic move by us only. It is not an industry wide phenomenon and everyone is deciding on their own strategies. We are trying to cap the absolute amount for the advertisement expenditure because we have realized that advertisement is needed for brand development or increasing the brand value, but COVID has taught us something that actually advertisement is not needed much if your sales structure or sales team are in place, the channel is in place to sell your products. Also, this fiscal year Rs.52 Crores we have spent on advertisement. So maximum advertisement expenditure has been done in the Shop in shop or retail branding exercise and not on the television or newspaper advertisement. Earlier, our media expenditure used to be around 70% to 80% of our total cost, but this time 60% of our total cost has gone to the retail branding which gave us a very, very good response.

Moderator: Thank you. The next question is from the line of Jatindra Agarwal who is an individual investor. Please go ahead.

Jatindra Agarwal: I have three questions. The first is, if it is possible can you share the debt numbers, the receivables, and the inventory as of December? The second question is related to slide #12 which is related to your distribution. There are something like approximately 5000 odd Crores that yet need to be mapped. I want to understand because this requires a lot of **(inaudible)53:53** on street. Who is going to bear this cost? Are there new distributors in those pin codes going to bear that cost or does this come on the company? Even within the existing pin codes suppose if you go to a new retail outlet which is currently not mapped who bears the cost, is it the distributor or is it on the company's account? My third is there is a small mention of SAP being rolled out, if you could share your thoughts on that? Thank you.

Shashi Agarwal: I think you asked for the debt numbers, right. Currently I would say that working capital liability is roundabout Rs.109 Crores. The long-term liabilities standing close to Rs.2 Crores. You can see my finance cost has come down, so we see these numbers coming down gradually. We are confident that liabilities will not be there at all and definitely a very small number in terms of working capital requirement from the banks. Moving on to your next question, the receivables is Rs.349 Crores approximately. Inventory is roundabout Rs.300 Crores.

Jatindra Agarwal: The second question is on slide #12 of your presentation.

Shashi Agarwal: I will just tell you what we actually do. We were talking about Lakshya sometime back. It is a project which the company has undertaken. What we actually do here is we have our sales team on the ground who actually goes and helps the distributors even in the traditional channel, they assist the distributor to collect orders, to serve them, they are kind of linked between the distributors, retailers and the company. We are using those resources who are helping us map those retail outlets. Supposedly there is an area allocated to a distributor, he chose to do business of may be 5 or 7 or 10 or 8, depending on the numbers and area allocation, he chooses his own retailers with whom he was doing business. But in the current model we say that we do not have to do this. We will serve all the possible retailers in the allocated area. We will go down to each one of them, map them through the sales officer in field, we go down, they map them and put them on the SFA for us and then these retailers are being visited and the benefits of the program are being explained to them and then we start supplying them. They do not have a choice in terms of whether they want to serve them or not, they serve them. This is something which has given us a very good result. We have been able to increase the secondary sales there. If I talk about the increase in cost, I would say that maybe the requirement of the sales officer in the field has gone up a little, but that is something which the company was already doing in the past also. As the number of distributors are increasing, the number of sales officers are also increasing in ground. Basically in the particular pin code, if I talk about 95 codes being in Delhi, whereas we have just mapped 33, do I see that I have completely mapped 43, I would say no. This is a work in process. This has not been completed yet. As and when we get our work allocation through the sales officer on field, they would take up this task of mapping and complete it. So, it is a slow and gradual process. A team has to be deployed in terms of getting these retailers mapped and put them on the SFA and automation mode and then we connecting them, so this is basically a long-haul process which requires a lot of time and investment as well from the company, which the company is working on. How to do this a little faster and in a more efficient mode is again we are working through this digitization application, etc. which would help us speed up the entire roll out of the project.

Jatindra Agarwal: Okay and this cost comes to the company, right. Does the local distributor share part of that expense or not?

Shashi Agarwal: Completely the company is revamping its method of working, so it comes to the company. As I was speaking, the sales officer cost is always on the company which we are already bearing the cost. It is just the slight increase of the number of sales officers would happen. This would again be directly proportionate to the number of distributors we have. So, in that way I would say that is not a very big cost we are looking forward to, but yes that cost comes to the company only.

Jatindra Agarwal: Got it, and the third question, just one line comment in your presentation regarding SAP versus ERP that you recently having, can you share some thoughts on that?

Shashi Agarwal: Currently we are working on Oracle ERP. The company has been working on Oracle ERP for years now, but we definitely are looking forward to SAP. The process has started internally, shortlisting of the vendors, and it is a long-drawn process again because SAP implementation takes a lot of work, effort, and understanding. You cannot go wrong here as well. This is started and this is in very, very early state. Maybe in a year's time we would see that we have got onto the SAP now.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Mr. Akhil Parekh for closing comments.

Akhil Parekh: Thank you. On behalf of Elara Securities, I thank the management of the Dollar Industries and I thank all the participants in the call. Over to the management just to see if they have any closing remarks.

Shashi Agarwal: Thank you everyone for joining us in the earnings call of Dollar Industries Limited. Wish you a happy weekend and stay safe. Thank you.

Moderator: Thank you very much. On behalf of Elara Securities, that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.