



“Dollar Industries Limited
Q3 FY2022 Earnings Conference Call”

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*Dollar Industries Limited
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Moderator: Ladies and gentlemen, good day and welcome to Dollar Industries Limited Q3 FY2022 Earnings Conference Call, hosted by SMIFS Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Ginodia from SMIFS Limited. Thank you and over to you Mr. Ginodia!

Saurabh Ginodia: Thank you Nirav. Good evening everyone. On behalf of SMIFS Limited I welcome you all to Q3 FY2022 post results conference call of Dollar Industries Limited. We are pleased to host the top management of the company. Today we have with us Mr. Ankit Gupta – President Marketing, and Mr. Ajay Kumar Patodia – Chief Financial Officer of the company. We will start the call with some initial comments on results from the management team and then we will open the floor for question and answer. Now I will hand over the call to Mr. Ankit Gupta. Over to you Sir!

Ankit Gupta: Good evening ladies and gentlemen. On behalf of the entire management at Dollar I welcome you all to the Q3 and nine months FY2022 post results conference call. We are glad that the company and its workforce have delivered on our commitment to shareholders, which is evident from its Q3 and nine months and financial. Now throwing some light on the cotton market, which has become very volatile in the last nine months, the prices of cotton has increased tremendously and therefore the yarn prices have taken a huge hike in the month of November and December. We have also taken a price hike in December 2021 and another hike will be taken in February 2022. Updating you on our project Lakshya we have till date brought in 115 number of distributors which is up from 91 distributors in the previous quarter and at the beginning of the year it was 51 distributors. This is in line with our effort to move from the push based model to a replenishment based model. Overall we expect to achieve greater market penetration from the primary sales led by secondary, faster increase in number of SKUs and distributor level and at the retail level and also which will lead to faster recovery of dues. We have prioritized the implementation of Lakshya project in the states of Andhra Pradesh, Bihar, Odisha, and North East. Our efforts in the last quarter towards channel financing arrangement for our distributors are now giving positive results. Our distributors have happily accepted the new financial arrangements that we have done for them and they are keen to grow their business with us. Till now we have received around 100 leads out of the total distributor strength of 1000 plus. We have successfully brought 55 distributors under the distributor financing scheme and we hope to take this number to around 150 to 200 distributors by the end of this fiscal. Adding to this our initial results from EBO exclusive brand outlet in the last quarter has shown favorable result. It is this particular exclusive brand outlet is on a FOFO model and we expect that it will generate incremental sales once the pandemic situation also gets normalized. During this fiscal we actually planned to open 8 to 9 exclusive brand outlets but due to the pandemic the things have gotten a bit slow and it has been planned in the states of Uttar Pradesh and Rajasthan and after that we will move on to the other



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states gradually, so we are making a cluster of exclusive brand outlets and slowly we will move to PAN India.

Dollar Industries Limited has always tried to provide its consumers a complete range of products, whether it be men, women or kids segments at affordable prices and a good quality product. Thereby we are planning to launch a complete range of athleisure products in Dollar women, which was not complete until now and this particular launch will happen somewhere in the first quarter of the next fiscal and for the time being the brassier products, which we were planning to launch in the month of January, now the launch will be done in the month of March. The delay was majorly due to the restrictions in different states which hampered the production level. Initially the brassier products we will launch in the state of Uttar Pradesh and Delhi and cover the entire East India and gradually within 6 to 7 months after seeing the response and the feedback from the market we will launch the product on a PAN India basis.

A small update on our joint venture with G.O.A.T. Brand Pte. Limited. It will be a 51%, 49% joint venture partnership under the same name of Pepe Jeans Innerfashion Private Limited. G.O.A.T. brand acquired the 50% shares of Pepe and then additional 1% equity but without additional voting rights in the JV. Dollar Industries shall be a 49% partner in this JV. The new JV will be equivalent to a multibrand distributor dealing with all kinds of men, women, and kids undergarment, athleisure, sportswear, lingerie, leisure wear, sleepwear, loungewear made out of natural fibers and manmade fibers. We are very positive that the new partnership will help us in boosting our sales through various channels but majorly direct through consumer channels. With this now I hand over to Mr. Ajay Patodia, our CFO to give you a brief on the financial performance of the company.

Ajay Patodia:

Thank you Ankit Sir. Good evening everyone. Welcome to third quarter earning call of Dollar Industries Limited for FY2022. Now moving on to the financial for Q3 December 2021, the company's total revenue for nine months stood at Rs.980 Crores and for Q3 in three months it is around Rs.383.55 Crores as compared to Rs.729.99 Crores for nine months FY2021 and Rs.312.44 Crores for Q3 FY2021. There is a growth of 34.25% for nine months and 22.76% for Q3 FY2022. The EBITDA of the company for nine months stood at Rs.164.07 Crores and for Q3 FY2022 stood at Rs.65.80 Crores as compared to Rs.108.32 Crores for nine months FY2021 and Rs.43.81 Crores for Q3 FY2021, a growth of 51.47% for nine months and 50.19% for Q3 FY2022. The profit before tax of the company for nine months stood at Rs.146.99 Crores and Rs.59.60 Crores for Q3 FY2022 as compared to Rs.90.24 Crores for nine months FY2021 and Rs.38.27 Crores for Q3 FY2021, a growth of 62.90% for nine months and 55.75% for Q3 FY2022. The profit after tax of the company for nine months stood at Rs.108.76 Crores and Rs.4.40 Crores for Q2 FY2022 as compared to Rs.67.18 Crores for nine months FY2021 and Rs.28.38 Crores for Q3 FY2021, a growth of 61.89% for nine months and 56.47% for Q3 FY2022. Now moving on to the brand wise contribution for nine months FY2022, Big Boss stood at 42% that is for mid segment regular that is the economy segment stood at 34%, Dollars at 2%, Force Go Wear 1%, Force NXT that is our premium product 3%, Missy that is our

woman brand around 8%, Pepe 0.14% and for Thermal it is around 10% and if we discuss about the Q3 FY2022 the Big Boss stood at around 43%, regular at around 34%, Dollars Socks 2%, Force Go Wear 1%, Force NXT 2%, Missy 7% and Thermal around 10%. By this now I open the forum for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Devesh from DS Investments. Please go ahead.

Devesh: Good afternoon. Congratulations for good set of numbers. Two quick questions one was if you could comment around winter wear performance because this sort of was outside the performance from all other categories right, it sort of degrew for us and the second would be that aspirational target of 2000 Crores requires a substantial jump between this financial year to the next two financial year, would there be some additional categories outside what we have, a broad strategy in terms of how you see us getting to that?

Ankit Gupta: If you talk about the winter sales, the winter was not that good in the month of November, December when usually the sales happen but still we manage to have a growth of 3%. We actually expected it would be somewhere around 18% to 20% this year, but the winters were really very unexpected this time and that is why we had a growth of 3% in our thermal wear. Apart from that the long term decision which is like achieving 2000 Crores by FY2025 we are on the same track currently and that is why you will see that in nine months ended also we have a 34% growth and some may ask that this particular growth maybe contributed only to the price hike that the company has been taken or the industry have been taking from past one and one-and-a-half years, but just to point out in nine months ended we did a volume growth of 14% as well so that is a huge win for us because at this kind of market also when first quarter was under restriction in different cities, in different states everyone has their own restrictions, still we managed to gather 14% volume growth overall in nine months ended. In Q3 we had a volume growth of around 11% so apart from the price hike that we are taking we are also doing a volume growth of equal level so I think we are in line to achieve what the target that we have set for us.

Devesh: Thank you. So it would be safe to assume that next two years the growth pattern would have equal or roughly equal contribution from volume as well as the price mix right?

Ankit Gupta: We really want that to happen, so let us hope that there is no fourth or fifth or sixth wave. I do not know what is happening the Omicron suddenly it came it was a great buzz, disturbed our last 15 days of December, still disturbing our January month, let us hope for the best. Thank God that the death rates and all the parameters are quite low over here in this third wave.

Devesh: Thank you and all the best.

- Moderator:** Thank you. The next question is from the line of Apurva Shah from Phillip Capital. Please go ahead.
- Apurva Shah:** Can you just take us through the industry what is happening in the industry because despite of such a price hike we have been continuously gaining or maybe like the volume side is also increasing, so can you just throw some light on organized versus unorganized and how we are able to capture the market and in case we have some data over the market share for the total industry or may be for organized that would be really helpful?
- Ankit Gupta:** So Apurva currently we do not have that kind of knowledge or information with us that will give you a yield whether the organized have transformed into organized or whether we have taken a market share of unorganized players. Yes the market is really very slow and in fact for unorganized players it has been very difficult in terms of production also, managing their working capital, the production level, managing the labor because every now and then the laborers run away to their villages and never to come back so that is the kind of situation which is happening in the industry plus with a rise in prices of the raw material which is a major contributor to our product like yarn, the yarn contribution to our product is almost 45%, so there has been a major hike in the yarn prices as well. During the months of December it was pretty stagnant that time, but in the month of January again the prices have increased for the yarn, so the things are very shaky right now. It is very dynamic. I think it would be too early to comment on whether the unorganized players are vanishing from the market or we are capturing the market share of the unorganized players or organized players. It would be really very early to make that kind of a statement.
- Apurva Shah:** Understood. I got your point. So second question is on the project Lakshya coming to our company I think like the results are reflecting may be last two to three quarters, so I just wanted to understand better of the project Lakshya because as of now we have introduced in five or six states, so if we want to dissect the growth, so do you have any idea like out of that 34% growth in the nine months period probably what could be the additional revenue because of project Lakshya because we are targeting to double the distributor maybe from 115 to maybe 200 to 215 by FY2023, so I just wanted to understand project Lakshya better because I think whatever you said earlier that is now reflected in the numbers, but how shall we project in for the future that is what I would like to understand?
- Ankit Gupta:** So currently if we look at the nine month numbers 7% of the revenue have been contributed by the distributors who are under this particular project to be precise it is 7.5%, so we already have 115 distributors and by the end of the fiscal we will be somewhere around 125, 130 distributors on board under this particular project and for the next fiscal if everything goes well we will be on track to onboard around 200, to 250 distributors into this particular project. We also want to finish it a bit early, so we have started rolling out in a few more states like we have started mapping in Andhra Pradesh, we have started mapping in North East, the entire seven states, then we have started Bihar, Haryana, and Odisha is getting started February first week it is getting started. So we have started making teams everywhere, so all the space that we can give them we are allowing them to enter and

make new distributors majorly in the gray areas that we have or the vacant space that we have. We do not want any major dent on our space and that is why we are covering the gray and the vacant areas first and then we are touching the actual distributors that we have like the current distributors that we have.

Apurva Shah: The way we report the numbers so this 7.4% number, so is it fair to say that was a negligible number prior to project Lakshya and that 7.4% of your total domestic sales that is only contributed because of project Lakshya we will try to conclude that way?

Ankit Gupta: No not really Apurva because some of the distributors in this particular project are old distributors as well so I would say that 60% of the distributors are new and not even 60 I would say 65% of the distributors are new and 35% of the distributors are old distributors so basis that you may divide. For exact numbers like how much incremental sales that we have got from Lakshya I do not have that number handy right now, for that we can get back to you later like after this call may be.

Apurva Shah: No problem and just a final question on the other expenses I think that is coming down on quarter on quarter basis may be from 18 to may be 18% to 20% to current 13%, 14% then so I can understand because of pandemic led restriction and may be curb on the advertisement I think that expense is on a lower side so what would be that sustainable number and what could be the sustainable margin?

Ankit Gupta: The thing is this year also we have curbed down our advertisement expenditure to around 5.5% to 6%. This particular fiscal it would be somewhere around 5.5% this particular fiscal. Next fiscal we will maintain 6% to 6.5%, we will try to maintain 6% to 6.5% that should be the sustainable level where we should maintain.

Apurva Shah: What about the EBITDA margin?

Ankit Gupta: EBITDA margin this year we have given a guidance of 15 to 16%, but nine months ended it is around 16.74%. So going ahead in three years time we want to be at around 18, 19% EBITDA level.

Apurva Shah: Okay fine that answers my question. Thank you and the all the best.

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

Ankit Babel: Sir how is the inventory level in the thermal wear segment at company level and at the trade channel because your target was very high but actual sales was low so how has been the inventory as on date because you know there would have been some offtake in January because the winter got delayed and there was good performance in the month of January, so as on date how is the inventory level at your end and at your trade channel end?

Ankit Gupta: The thing is that for thermal our sales gets completed by the month of November maximum, In November also we try to fulfill the repeat orders but this time due to bad winter what happened was we have quite a few stock with us for thermal which is somewhere around 2% to 3% stock levels is contributed by the thermals. As far as the distributor channel is being talked about or the retail channel is being talked about so the month of January was a bit of relief for us because some of the distributor stocks have been liquidated in the market to the retail point and in fact the consumers have also brought from the retail outlet so this will allow us to have a good sale in the next year like next second or third quarter of the next fiscal.

Ankit Babel: Next year sales would not be impacted because of high inventory?

Ankit Gupta: Should not impact, but like we do not know by how much this winter season will extend or will we have extended winter but January has been a good winter season like all over the country and it was majorly contributed because of the rain which poured like for two to three days everywhere right.

Ankit Babel: What will be your sustainable gross margins in the next couple of years or whenever you reach your target of 200 Crores revenue because it has been fluctuating between 35% to 40%, so what is the sustainable margins you people are looking at?

Ajay Patodia: Currently our gross margin is around 36% and in the quarter level it is around 35% and we hope to maintain the same in the next two to three years or the margin may be increased by 36% to 37%, so our target for EBITDA is around 7% to 8% so if our margin is around 36% to 37% we can achieve our target.

Ankit Babel: Lastly in the previous conference calls and various meetings you have mentioned that you will try to keep the absolute amount of marketing cost stable and so therefore every year the marketing cost as a percentage of sales will start coming down, but now you are saying that you will maintain it at 5% to 6% of revenue which means that absolute might go up, so has there been any change in the strategy?

Ankit Gupta: The thing is Ankit like from last quarter itself we have mentioned it in percentage basis like during this pandemic season we actually mentioned in an absolute amount that 55 to 60 Crores of total expenditure we will do on advertisement and similarly last fiscal also we committed on an absolute amount you are absolutely correct about that, but as a percentage of sales it was coming around 5.5% to 6% and at a sustainable level with all the categories that we are launching right now and focusing on athleisure segment as well because it has become really very big in our country during this pandemic and we see a very good future out there. Maybe we will come out with a very good TV commercial for athleisure only so that is why I was saying next fiscal it might go up to 6.5%.

Ankit Babel: So your targets for absolute amount of marketing cost have increased say in line with the revenue growth which you are expecting?

- Ankit Gupta:** But when we talk about like three years later when we are at a level of 2000 Crores that percentage might not be 6.5% that might come down to 5% or something.
- Ankit Babel:** Yes that is it from my side as of now. Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Thank you for the opportunity Sir. My first question is with regards to the target that you have set out for the 2000 Crores of revenue so if you can briefly give a breakup as to how much of this would be led by way of store additions or network additions and how much of it will be relating to the other factors as in SSG or the throughput improvement from the existing key distributors, so if you can give a sense of that it would be really helpful?
- Ankit Gupta:** Today also our major sales are happening through the distributor channel. Online sales or modern retail contributes around 3% of our total sales currently, 3% to 3.5%. Over two-and-a-half, three years time period we see that the modern retail channel going up to maximum 6% to 6.5% of the total sales and the rest would be contributed by the domestic channel sales only which is through our distributor system. Now we are trying to increase our sales by tapping into the vacant area, the gray areas that we have or pointing new distributors for each vertical whether it be woman wear or men's wear or for our premium segment which is Force NXT so by increasing the distributors debt in the market, earlier we used to crack it district wise now we are cracking it Taluka wise, so that is the kind of mindset change that we are doing in our sales team and everyone is very much motivated to appoint new and new distributors and tap the entire market.
- Gaurav Jogani:** Sure Sir. What would be the entire universe of these NBOs I think we are reaching right now 1 lakh odd NBO outlet as of now roughly and what would be the target reach that we are targeting two to three years?
- Ankit Gupta:** In three to four years time we want to reach around 4 lakh retail outlet. I would not be able to comment upon the universe but like people or the consultancy firms to whomever we have come in touch with the universe is somewhere around 8 to 10 lakh retail outlet.
- Gaurav Jogani:** But that is like 3x I mean you are now right now at 1 lakh so that would roughly mean that you will be adding 1 lakh outlets every year, so is it not that a steep target that you are taking per se?
- Ankit Gupta:** Not every year I said in four years time.
- Gaurav Jogani:** So basically I am just saying that right now you are 1 lakh.

Ankit Gupta: Currently I think we are serving around 1 lakh 30 thousand retail outlet so we really target to reach around 4 lakh retail because in three to four years time we will be converted into Lakshya project like majorly most of the distributors would be under this particular project only so that is where we want to be.

Gaurav Jogani: Sure Sir. In that case this growth could largely also be led by because your outlet reach is doubling in the next three to four years so this alone I think would lead it, but are you planning to increase the number of distributors also or this would be done by the existing set of distributors from what you have as of now?

Ankit Gupta: We will be increasing our distributor levels also. With the increase in retail outlets we will be increasing our number of distributors also in all the areas. Apart from that when we talk about the number of retail outlets we are present in or the number of retail outlets we want to tap into so the retail outlet works at three level, so there is one universe then there are retailers who want to work with you and then there are retailers who work with you every month, so there is a concept of enrolled retailers, there is a concept of active retailers and then there is a concept of retailers. Today if I am saying that I am available at 1.5 lakh retail outlets or 1 lakh 35,000 retail outlets the active retail outlets would be somewhere around 65000 who buys like every month from me which is actually generating business for me and there are retailers who buy like once a quarter or twice a quarter something like that so if I am talking about 4 lakh retail outlet the active retail outlet I want to be into who buys from me every month will be somewhere around 2 and 2.5 lakh.

Gaurav Jogani: Sure Sir. In terms of increasing the debt you also mentioned that you will be increasing the debt of the products that you have how are we planning to do this because generally if I am not wrong, correct me if I am wrong our products are more mass oriented I would say to that extent so to do that would these outlets that we serve will be able to carry this type of assortment and second if we increase the debt is there again a chance of inventory going up in the near term?

Ankit Gupta: We have men's wear, we have kids wear, we have women, we have thermal, we launched two, two-and-a-half years back we launched athleisure segment category which is doing really good. In women we have intimate wears, leggings and all, it was brassier or lingerie which was missing, so we are just trying to complete the categories that we are into.

Gaurav Jogani: Sure that I understand. My question is actually a little bit different. What I am trying to tell you is that as we increase the debt of the products that we have is there a chance to our inventory days or levels might go up because every outlet might not be specialized in selling every kind of product so just understanding on that grounds?

Ankit Gupta: We do not really plan to increase our inventory days to be very honest. We will try to work on that level only because the thing is that the vector consultancy after streamlining our sales point of view

they also start working on the backend as well so our production will also be based on the replenishment model. We will continue with the base stock and a similar kind of stock will be there in the pipeline as well which is WIP and the orders will be generated for production only when there is a sale of that particular product and at reach rate so it will be completely optimized in two, two-and-a-half years' time.

Gaurav Jogani: One last bid from my end is your performance was quite good in that sense you registered a 23% Y-O-Y growth and a bulk of it, it was 50% where in 11% was led by volume and the remaining was led by the pricing growth so is there an impact that we have seen because of the sharp rise, price increases in the demand condition because the price rise is very sharp I do understand that this is because of the yarn price increases that you are forced to take this price increase but any impact on the demand that you have seen because of this?

Ankit Gupta: So what happened is whenever there is a price hike so people to try to pre-purchase the products like the channel partners whether it be the distributors or the retailers that happens that is very natural in our kind of industry, but overall we have seen the demand going up for our products to be very honest like for Dollar product otherwise we would not have been able to do such a good volume growth. In nine months ended we have done 14% it would not have been possible if the demand would not have gone high.

Gaurav Jogani: I understand that you rightly mentioned there was preponement of the buying because of the expectation of the prices going up but then again in the next quarter of the subsequent quarters would that might impact demand because now they would have stocked some of this product and unless and until they liquidate this product in the secondary market they would not require to buy new products more from you so in the coming quarters maybe there would be a slight impact on the demand?

Ankit Gupta: No we do not think so. The thing is the prices have been increasing since last year September so it has already been one-and-a-half years that the prices have been increasing by last year 2020 so every month we have been increasing prices, every two to three months we have been increasing prices and yet we have seen growth every quarter so I do not think that would really hamper my fourth quarter. We are in track to achieve more than 20% growth this particular year.

Gaurav Jogani: Sure Sir. Thank you for answering all my questions. That is all from me.

Moderator: Thank you. The next question is from the line of Venkat from 3 Sigma Financial. Please go ahead.

Venkat: Thanks for the opportunity and for excellent numbers actually. Congratulations on that. Sir couple of questions I have. When you say raw material prices are we talking about cotton prices or what is actually increasing so steeply and so frequently, which particular raw material actually? You were

mentioning about raw material prices going up so often so what are our primary that are actually going up so often?

Ankit Gupta: Majorly the hike in prices of the yarn and we also buy yarn majorly for our products but for our spinning units which is around 22,000 spindles we start from the purchase of cotton as well, so per bale or per candy, which used to be around 45000 to 50000 per bale it has now increased to 75000 per bale so that is the kind of increase that we are seeing in the cotton prices and the yarn prices.

Venkat: Sir my next question is we were talking about modern trade which is about **(audio cut) 40:08** so would modern trade include the organized retail and what we call omni channel or online sales is that what it is?

Ankit Gupta: Modern retail includes everything which is large format stores, the big chain stores which do shop and shop, the online sales which is direct to consumer, all channels taken together constitutes modern trade.

Venkat: Sir from regional point of view say for instance north zone, west zone, south zone and east zone let us export will it be possible to give a breakup on how these zones actually work?

Ankit Gupta: Our contribution in the north zone is around 43%, east zone is 26%, west zone is 24%, west and central taken together, south is weak for us, which is around 7% of our total sales.

Venkat: Okay so we will be strengthening our south zone right?

Ankit Gupta: That is why we are focusing in Lakshya project we are focusing on the southern part of India. So we started off with Karnataka then we tapped Telangana, Telangana rollout is going on and now we are starting off with Andhra Pradesh, once these three phase gets completed then we will touch Tamil Nadu and Kerala as well.

Venkat: So how would the profile look afterwards once the southern zone also completes so whatever targets you are mentioning so we are going to meet those targets?

Ankit Gupta: I think south has a potential of going from 7% to easily 12% it can go in like three years time.

Venkat: What is the percentage of exports?

Ankit Gupta: Exports is around 9% of our total sales. So our modern trade is around 3%, export is 9% apart from that 88% is our domestic sales.

Venkat: So modern trade happens directly from the company itself right you do not have any agents?

- Ankit Gupta:** It is actually from the company.
- Venkat:** Okay Sir. Thank you very much. I got all the answers.
- Moderator:** Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel:** Currently your presence is at around 1.3 lakh retail outlets which you plan to take it to 4 lakhs in the coming four years assuming say by next year you increase it to 2 lakhs which is around a 50% growth in your retail outlet present now assuming with the potential of these new outlets is similar to your current one, so mathematically your revenue should also increase by 50%, what is the maths in this calculation?
- Ankit Gupta:** Ankit the question that you have asked is you are making an assumption that I have increased from 1 lakh to 2 lakh in day one and I get the full year for the sales right and that is how you are coming to 50% growth of the sales but it will be gradual process and you would not see 50% growth in sales even at the end of fiscal we move up to 2 lakh retail outlets.
- Ankit Babel:** So let us simplify it, suppose if by the end of FY2023 you take it to 2 lakhs so your FY2024 there should be a 50% growth compared to FY2022 so I am taking that two year period so is this mathematically right or there is some other calculation involved here?
- Ankit Gupta:** It would not be mathematically right because I would say while every retail outlet in every district or every Taluka has a different way of working. For example in Rajasthan the average purchase ticket value of a retailer per month is somewhere around 7500, 8000 whereas in Karnataka it is around 9500, but if you give to Gujarat it is around 5000, 6000, so you cannot actually tell whether it will be a completely proportional basis, the growth would be completely on proportional basis. It will really depend whether growth has happened or which part of the country we have tapped in. Currently we have taken up states, which are majorly weaker states for us. We might increase the retail outlets to 2 lakh or 2.5 lakh by FY2023 or FY2024, but that does not guarantee that actually does not guarantee that our sales will increase to that particular level.
- Ankit Babel:** Diversity of ticket size would be there even in your current presence of 1.3 lakh somebody would be buying 5000...
- Ankit Gupta:** But there are wholesalers as well right. In our Lakshya project we are not encouraging the wholesalers but in the current model there would be distributor there are semi wholesalers under them. Apart from the retail outlets there are semi wholesalers also. There are wholesale markets also which are selling right, so we have to take that also into account and going by this logic if I am saying that I want to do

it 4 lakh retail outlets in 3 to 4 years then my target should be 3000 to 4000 Crores, but I am setting the target to 2000 Crores only because that is the practical way to go about it.

Ankit Babel: My second is that you currently have around 1000 distributors which again would be growing every year and out of that only 115 distributors are enrolled for project Lakshya so do you feel that all your 1000 distributors would eventually get enrolled for project Lakshya or what are your targets practically how many distributors you feel would adapt for this Lakshya project over a period of time?

Ankit Gupta: Ankit to be very honest we want to convert each and every distributor to this particular model.

Ankit Babel: How is the response?

Ankit Gupta: The response is good, suppose if you want to let us take Ahmedabad district in Gujarat. So we have taken a call in Ahmedabad our project Lakshya will be implemented there will be no other distributors who are not into project Lakshya so we give first right of refusal to our current distributors, if the current distributor refuses then only we make a new distributor out there so that is how we are working, but if we take a call that we want to implement that particular project in a particular district then it will be done.

Ankit Babel: Has there been any protest by even a single distributor so far?

Ankit Gupta: Initially the distributors are very skeptical because they have to work in a very organized manner which currently maybe they are not doing it right. Most of the distributors are not organized but in this particular project the distributor has to get organized, he has to hire one or two people under them so it is a process so people do retaliate. The distributors are skeptical about it, but once they start the programme, once they are like four months, five months into it then they actually understand the benefit of it. So in Rajasthan we are getting a very good response.

Ankit Babel: Earlier because of COVID there were some disruptions in your sales team and everybody could not be on road to deal with these distributors to get enrolled but now if everything is open can we see that the pace of this enrollment can actually increase and say next two years only you can actually get most of your distributors to this project Lakshya can the pace of enrollment increase in coming years?

Ankit Gupta: Definitely, the pace of enrollment will increase definitely, there is no denial about it, but the project will not be completed in two years time.

Ankit Babel: Last question very near term. When I was observing your historical numbers one observation which came was that FY2016 to FY2019 the numbers are available your Q4 number is always higher than the Q3 number, the revenue so is that trend will continue going forward considering the seasonality?

- Ankit Gupta:** See if we talk about last fiscal it did not happen.
- Ankit Babel:** Sir but that was a COVID period.
- Ankit Gupta:** Currently we are into COVID periods, actually do not know but yes Q4 is always higher than Q3 that has been the historical data and going ahead also we think that Q4 will be higher than Q3, maybe not this fiscal due to COVID.
- Ankit Babel:** Okay that is it Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Suhrid Deorah from Paladin Capital. Please go ahead.
- Suhrid Deorah:** I am sorry I joined the call a little late I am not very familiar with the business part. I have couple of basic questions. Could you help me understand what kind of volume growth you see, what is the stint between volume and pricing growth on average and how you feel going forward in the next few years?
- Ajay Patodia:** In this quarter our volume growth is around 11% and over nine months our total growth is 34%, out of 34% our volume growth is around 14%.
- Suhrid Deorah:** I am aware of the numbers for the current quarter and for the nine months I am saying ongoing basis what kind of volume growth do you typically see for two years 2023 and 2024?
- Ankit Gupta:** For next two to three years the volume growth that we are targeting is somewhere around 12 to 14%.
- Suhrid Deorah:** Typically you take 5% to 6% price increase every year?
- Ankit Gupta:** Seeing the trend currently I think that is likely plus there will be change in the category mix also because the athleisure is of higher ASP and we are getting very good growth in our athleisure segment which is now contributing around 11% of our total sales if you see the nine months ended figures so going by that if we are able to change the product categories also, so we will see a change in our overall ASP just due to the change in the product mix, so we are targeting in that sense also.
- Suhrid Deorah:** It seems that over the last 10 years or so your growth margins have expanded substantially is that because you are all changing the mix and then with new price levels are substantially not profitable?
- Ankit Gupta:** If you are talking about last 10 years majorly due to higher penetration into the market, deeper penetration by giving extra schemes or incentives to our channel partners so that was the reason we were able to penetrate in the market faster than others and apart from that like 5 to 6 years back we launched our women's segment then premium segment came into picture in 2017 and 2018. Apart



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from that we were already doing casual wear which were track pants, t-shirts, Bermuda by the name of Force Go Wear, but now we are shifting or gradually doing away with Force Go Wear and creating Big Boss athleisure only like Dollar Man athleisure, so the sales have been shifted from post COVID to athleisure plus we are tapping into the growth as well.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that will be the last question for today. I now hand the conference over to Mr. Saurabh Ginodia for closing comments.

Saurabh Ginodia: Thank you AnkitJi and AjayJi for giving all your valuable inputs and time on today's conference call and also giving us the opportunity to host this earnings call. Sir I would request if you have any closing comments to make and then we can close the call.

Ankit Gupta: I take this opportunity to thank everyone for joining in the call. I hope we have been able to address all your queries. If you have any other questions or any other query kindly get in touch with us. Thank you once again, stay healthy, stay safe.

Moderator: Thank you very much. On behalf of SMIFS Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.