"Dollar Industries Limited
Q2 FY '24 Earnings Conference Call"
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MANAGEMENT: **MR. ANKIT GUPTA – PRESIDENT, MARKETING – DOLLAR INDUSTRIES LIMITED**
MR. AJAY PATODIA – CHIEF FINANCIAL OFFICER – DOLLAR INDUSTRIES LIMITED

MODERATOR: **MR. VARUN SINGH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Dollar Industries Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Varun Singh: Thank you, Seema. Good evening, everyone. On behalf of ICICI Securities. It's our pleasure to hold the management of Dollar Industries to disperse the second quarter earnings call. There will be an investor presentation from the management followed by Q&A. From the management side, we have Mr. Ankit Gupta, President Marketing; and Mr. Ajay Patodia, Chief Financial Officer. So, request management to please take over the calls from here.

Ankit Gupta: Thank you, Varun. Good afternoon and a very happy Diwali to you. Thank you for joining us today for the Dollar Industries Limited Q2 FY '24 Earnings Call. I'll take you through the business and operational highlights of the quarter gone by, while our CFO, Mr. Ajay Patodia will share the financial metrics.

We are happy to say that the company achieved strong top and bottom line growth in Q2 FY '24. Total income increased by 21% year-on-year and 26% quarter-on-quarter, reaching INR413 crores in Q2 FY '24. While the total volume grew by around 40% year-on-year. Net profit for the quarter grew significantly by 44% year-on-year and 71% quarter-on-quarter to INR25 crores. We are pleased to see that the company has emerged stronger from the challenges of FY '23. Raw material prices have stabilized and high-cost inventory is no longer within the system. This is evident in the gross profit margin, which has increased by 189 basis points year-on-year to reach 33% in Q2 FY '24.

The cash conversion cycle in Q2 FY24 improved to 147 days, down from 167 days in Q2 FY23, largely attributed to a 14-day reduction in inventory. This reduction in inventory days can be primarily attributed to the removal of high-value inventory from the system.

We anticipate a promising second half of FY24, driven by stable raw material prices and strong push towards premiumization, which will help us sustain and grow our margins. Our strategic decision to appoint Saif Ali Khan as the brand ambassador for Dollar Always has yielded good results, with economic segment revenue increasing by 39% year-on-year.

Additionally, we have witnessed remarkable growth in volume in this segment, up by 52% year-on-year. response to our recently launched Force NXT activewear and women's athleisure product in the quarter gone by has been overwhelmingly positive. The growth in Missy portfolio is 18% year-on-year in value terms and 17% here year-on-year in volume terms. It goes a long way reiterating our focus on increasing the share of non-men segment. Force NXT grew 50% year-on-year in both value and volume terms, which reinforces our commitment towards growth in higher-margin segments.

The strong growth witnessed in Missy as well as Force NXT portfolio gives us the confidence that the premium segment will continue to play a vital role in achieving sustained revenue and profitability growth in the future. In Q2 FY '24, our advertising expenses amounted to INR32 crores, whereas in Q2 FY '23, it was INR25 crores. Our annual target for advertising expenditure remains within the range of 6% to 6.5% of our top line.

Turning our attention to project Lakshya. In Q2 FY '24, we welcomed 22 new distributors into this initiative, increasing our total distributor count to 271 a significant rise from 229 distributors we had in FY '23. We are happy to report that project Lakshya's contribution to company's domestic sales has grown from 19% in FY '23 to 25% in H1 FY '24. Presently, we have Lakshya distributors operating in 13 states and our expansion efforts are ongoing with a target to bring around 65% to 70% distributors and the project Lakshya by FY '25. In H1 FY '24, our modern trade and e-commerce sales accounted for approximately 3% to our total sales. Our goal is to raise this figure to around 8% by FY '26.

Our commitment to sustainability remains a core, and they are dedicated to implementing ecofriendly practices across our operations. This includes our focus on reducing our carbon footprint and promoting responsible manufacturing process. Driven by the success of project Lakshya's technological advancement to the product launches, drive towards premiumization and the overall growth in the industry and the economy. We believe we are very poised for strong top and bottom line growth in the near future.

Thank you all. Now I would hand over the call to our CFO, sir, Mr. Ajay Patodia to talk about the financial metrics.

Ajay Patodia: Thank you, Ankit ji Good afternoon, ladies and gentlemen. Many thanks for joining the earning call. I will give a brief overview of the financial numbers for the quarter before we open for question and answer. I hope everyone would have got a chance to look at the earning presentation and the press release by now. While Ankit ji has already covered the macro-outlook, I will try to explain in more micro manner, the financial performance of the quarter gone by.

Our revenue from operations rose by 21% year-on-year basis to INR413 crores in quarter 2 FY '24 from INR340 crores in quarter 2 FY '23. Gross profit reached INR135 crores, witnessing a strong year-on-year growth of around 29% and quarter-on-quarter increase of around 27%. Gross profit margin for Q2 FY '24 stood at around 33% against 31% in Q2 FY '23. Expanding by the 189-basis points year-on-year. The year-on-year margin expansion is indicative of the stability in raw material prices, which had all the significant challenge to the industry during FY '23.

Operating EBITDA in Q2 FY '24 showed strong growth, increasing by 38% year-on-year, reaching to INR42 crores. the operating EBITDA margin for the quarter as expected by 121 basis points year-on-year to 10%. Profit after tax for the quarter witnessed a substantial 44% year-on-year increase, reaching INR25 crores with the PAT margin reaching 6%. Our commitment to strategic priorities and growth pillars remains unwavering as we focus on our long-term objective sustainable growth and profitability. We see a strong quarter and focus on premiumization we are confident in our ability to achieve our revenue and profit growth in the current financial year as well as in the near future.

Now moving on to brand-wise contribution in quarter 2 FY '24. Our mid segment Big Boss contributed around 36%. Our economic segment Dollar Always contributed at around 38%. Our premium segment Force NXT contributed around 4%. Our women's segment Dollar Women contributed around 9%. And for our winter segment thermal contributed around 11%.

With this, we now open the floor for question and answer.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. We take our first question from the line of Rahul Jain: from Credence Wealth.

Rahul Jain: Congratulations on a wonderful set of numbers. So, a couple of things, sir. One, on the volume you have mentioned in your presentation that we had about 40% volume growth in quarter 2. So just to understand the pricing and the volumes. So, if you could share details about the average selling price of FY '23 and the average selling price in the current half H1 and the volume growth overall in H1?

Ankit Gupta: So, in quarter 2, we did a volume growth of 40% with a value growth of overall revenue growth of 21%. If we compare the ASP of Q2 FY '23 versus Q2 FY '24, there has been an ASP decline of around 13%.

Rahul Jain: Sure. And so currently, as we speak, as on say, 30th September, the overall first 6 months average would be around 12%, 15% below the FY '23 price. Is that a fair assumption?

Ankit Gupta: Yes, around about.

Rahul Jain: Okay. So, sir, going ahead, in the previous call, you had given a guidance of revenue growth of about 11%, 12% and margins of around 11% to 12% on the EBITDA side. So, two things. One, do we still believe that guidance is achievable considering that pricing pressures will continue in spite of a fantastic volume growth the pricing still lags behind. And typically, your second half, we need to grow around 18%, 20% to achieve that 11%, 12% guidance of revenue in terms of value?

Ankit Gupta: Yes. So, the thing is that if you look at the actual numbers, we did an overall revenue growth of 5.2%, right? And since the second half is always better than the first half because Q4 is really heavy for our industry. Plus, in this particular fiscal year, we'll get an EID sale also in Q4 because EID is around 8th of April 2024. So, Q4 is supposed to be much, much stronger. And we are very hopeful and we are very optimistic about the fact that the guidance that we had given in the last call, we stick by it. Revenue should be somewhere around 12% to 13% kind of a growth and EBITDA would be somewhere around 11-odd percent approximately.

Rahul Jain: Sir, how are the bookings from the thermal sales going on? What is the expectation on thermal?

Ankit Gupta: So, in Q2, we did a good thermal sale. We saw growth of 15%. And we are very hopeful that the winter should be good this year. Unlike the last couple of years which went by, it was not that great. And we are very hopeful about good winters.

Rahul Jain: Sure. And with regards to the pricing, one of our peers just mentioned that there was a price hike in October first week, but that has got reversed. So, what is our take on this? And when do we expect some pricing movement on that side?

Ankit Gupta: So, see, everyone in the industry wanted to take a price hike given the kind of – like everyone thought that the raw material prices have stabilized and everything. And it has been stabilized. We don't see any change right now. But since the yarn market is a bit soft right now, there is no change in the price. So, we have to reverse the price hike that was taken.

Rahul Jain: Sure. And do we expect -- how do we expect the pricing going ahead?

Ankit Gupta: Currently, we don't see any major change happening in the prices.

Rahul Jain: Sure. And just one last question, sir, on the longer-term basis, you have given a guidance of INR2,000 crores for FY '26 in terms of revenue. So that would be at the current prices -- product prices?

Ankit Gupta: Sorry?

Rahul Jain: You have given a guidance of INR2,000 crores of sales for FY '26. Is that guidance taking into account the current prices of the yarn and the products? Or are we assuming some price inflation in that revenue guidance?

Ankit Gupta: See, every year, then there has been -- every year, we take some price hike to the tune of 5% to 6%. And taking that thing into account, we are very hopeful that we'll be able to achieve INR2,000 crores by FY '26.

Rahul Jain: Sure. And lastly, on the working capital longer term. So, the Lakshya project in terms of additional distributors and also with regards to channel financing, we have been doing some work on both these things for the last about 1.5 years. It has been a bit slow in terms of execution, but it seems to be picking up. So, in terms of our working capital on the data base, what is our expectation that how should we see the working capital more so on the debtor days going ahead in a next 2 quarters, next 6, 8 quarters, where do you see the debtor days coming down to?

Ankit Gupta: In a couple of years, we are very hopeful that we'll be able to bring it down to somewhere around 70, 75 days.

Rahul Jain: I mean given the current situation and current execution; we are quite hopeful that we should be around 75 days in terms of debtor days?

Ankit Gupta: Yes. So, a couple of years back, if you would have seen our overall debtor days, it was somewhere around 120, 125 days. And we brought it down to 108 days currently. So, it is nearly due to the Lakshya project and the dealer financing scheme that we are running. And we have around 300 distributors who are already enrolled into distributor financing scheme. So as soon as more and more distributors come into this particular program, we are very hopeful that we'll be able to reduce the debtors days overall.

Moderator: We take the next question from the line of Prerna Jhunjhunwala: from Elara Capital.

Prerna Jhunjhunwala: Hi. Thank you for the opportunity and congratulations on a strong set of numbers. I wanted to understand the competitive intensity of the market for both mass and premium categories, whether it continues to remain high or it has become mild. What is your sense on competitive intensity??

Ankit Gupta: See, our industry is based on base of organized sales as well as unorganized players. And at our particular level, our peer group, we, we are like 5 players at an almost similar level. So, the competition has always been there, and it will be there. So, the intensity is just as it was the last quarter. So, it's not that the competition has reduced or the intensity of competition has reduced. It is that how our strategy works out in the market.

Prerna Jhunjhunwala: Okay. Understood. So, if I want to understand the demand for athleisure, I understand Force NXT has grown by 50%, but if you could give some colour on your athleisure space, how it is improving with time?

Ankit Gupta: So, athleisure is doing good. Currently, it is contributing around 12% to 13% to our total sales. And it's not -- like, the growth has been good. So, in Force NXT, the majority of sales, if you talk about in terms of value, so, Force NXT athleisure is doing really very good. Okay.

Prerna Jhunjhunwala: Okay. And apart from...

Ankit Gupta: It's to increase from INR250 to INR285.

Prerna Jhunjhunwala: Okay. You've taken price hike in Force NXT athleisure?

Ankit Gupta: No. It's just the product mix, which has changed. So, during winter, a lot of huddies, sweatshirts, DD, the thermals and Force NXT. So, all those sales taking into account in the second quarter, The ASP rose from INR250 crores to INR280 crores.

Prerna Jhunjhunwala: Okay. Okay. And I was also going through receivable days. Earlier participant also asked in the same. In COVID times, we saw good reduction in receivable days. I wanted to understand why it has increased again to some extent. Not fully, but yes, to some extent?

Ankit Gupta: So, in terms of number of days, Prerna, it has been the same. During COVID time, it was somewhere around 99 days, but currently, it is 108 days. So, it's a matter of 9 days. And mostly, if you see, in absolute terms, if you see the overall debtor that is outstanding on our balance sheet. It's almost the revenue that we did in Q2.

Prerna Jhunjhunwala: Okay, okay. And if I want to understand the winter wear demand, how is it likely to be in your opinion this year?

Ankit Gupta: See, we are contemplating that it should be good. And given the forecast of the weather that we are seeing every time monitoring it. The team is very positive about it. And if the winter season is -- so in Q2, we did a 15% growth in our summer sale as compared to last year Q2. And if the season goes well, Q3 should be really good for us.

Prerna Jhunjhunwala: Okay. Was there any large inventory last year? Or I mean, was it low on inventory last year? Just wanted to understand what happened last year as well. I mean…

Ankit Gupta: Yes. So, there was some inventory which was there in the system, which will get cleaned up this particular fiscal.

Prerna Jhunjhunwala: Okay. Understood, sir. Thank you and all the best, and happy Diwali.

Ankit Gupta: Happy Diwali to you, thank you.

Moderator: Thank you. We take the next question from the line of Devanshu Bansal from Emkay Global. Please go ahead, sir.

Devanshu Bansal: Congratulations on a great set of numbers and best wishes for the upcoming festive. Sir, I wanted to check from premium innerwear side, the players there are not seeing such level of volume growth. In fact, that segment has been under quite a bit of pressure. Sir, wanted to check, is the market seeing some downgrading that is helping us deliver such strong volume growth. According to you, what are the drivers actually that are helping us?

Ankit Gupta: So, Devanshu, as per us, there is no downgrading which is happening. It is just that see, we deal into basic products and it's our second skin, right? People can postpone the purchase but can't do away with it. And if a person is adding the Jockey, we won't downgrade himself to maybe Big Boss or a person wearing Big Boss won't downgrade to the economic range of products that we manufacture. So, I don't think on the basis of the feedback that we get from the market, it's not a downgrading that happening. It's just a postponement, some amount of postponement in the premium segment. But for -- luckily for us, Force NXT did really well in Q2. So, we did a volume growth of somewhere around 50%.

Devanshu Bansal: Right. And when were these price cuts, which are implied by this 40% volume growth and 20% revenue growth. Whenever these price cuts taken by the players like you?

Ankit Gupta: The price cuts started happening from the end of Q1 last fiscal. And we did a price cut still April of this fiscal.

Devanshu Bansal: Okay. And what was the quantum of the price hikes in all that you have taken between this period?

Ankit Gupta: During COVID, there was a price hike of somewhere around 18% to 20%.

Devanshu Bansal: I mean price cut that you have taken between Q1 and then Q1 FY '23 and Q4 FY '23?

Ankit Gupta: So, if you see our -- the Q1 of last fiscal was at its peak. And if you compare it with the Q1 of this fiscal, with respect to the ASP, there has been a decline of somewhere around 15%.

Devanshu Bansal: 15%. Okay. And what is the kind of RM inflation you are seeing? Obviously, you mentioned that the raw material on the softer side. So, is it like on a declining trend or there is some level of inflation that you are seeing on a Y-o-Y basis?

Ankit Gupta: Currently, there has been no changes in the prices. But the yarn -- so the yarn manufacturers are bit stressed because of the low exports. So that's why we are saying that the raw material prices are on the software side. And but currently, we don't see any change happening in the yarn market as well.

Moderator: Thank you. The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Firstly sir, can you highlight the volume growth for Lakshya projects in Q2?

Ankit Gupta: So, on a half yearly basis, the volume growth was 32% vis-à-vis is in our non-Lakshya, overall, at a company level, on a half yearly basis, we did a volume growth of somewhere around 19% to 20%.

Ankush Agrawal: Okay. So, like in Q1, we did 13% and H1 is 32%, right? Is the same number, right distributors that were there as of H1 last year and now?

Ankit Gupta: Yes. On a like-to-like basis.

Ankush Agrawal: Yes. Secondly, sir, can you give an ASP ladder of what kind of we have between various categories like say, man, women Force NXT is at around INR250 to INR280. So, on similar lines to what would be the ASP for different categories of products?

Ankit Gupta: So, if we talk about Dollar Man, the ASP would be somewhere around INR80. On our regular product, the economy range of product Dollar Always would be somewhere around INR50. Missy would be INR110. And Force NXT is around INR285, and socks, it is around INR32.

Ankush Agrawal: Sorry?

Ankit Gupta: So, the Socks category that we make, it's around INR35.

Ankush Agrawal: And sir, one thing over here. So, I think we did this whole brand exercise of rather than going at individual brands, putting it in the categories of man, women, junior always and all that. But if I look at our advertisement and branding now, even though we have like branding Dollar Men, but the major portion of the branding still goes to Bigboss, Dollar Man is there, but the major visibility is still Bigboss. So, I'm trying to understand like the whole philosophy of going after category and not individual brands, that is still not reflecting in our brand, the way we have to marketing and branding. So, I wanted your thoughts on that?

Ankit Gupta: So, it has been done consciously. See, we have been advertising Bigboss for quite a long time, like it has all around 20 years. So somewhere around 2003, 2004, we started advertising for Bigboss and people know Bigboss, like Fit Hai Bos. The tagline, right. So, if you do a brand architecture, so you have to be sensible about one thing that the consumer does not get lost in a way.

So, when we did the survey, Dollars came out to be much more-stronger. But at the same time, there were a set of consumers who knew Bigboss. So now we don't use Bigboss as a sub-brand. We use it as a collection. So ultimately, we have confined ourselves into six categories right now. we'll be using in our advertisement Dollar Man, Bigboss because now Bigboss now acts as a collection and Akshay Kumar has been retained for advertising into Dollar Man, Bigboss only.

Ankush Agrawal: Right. So, like in the longer run, this would still stay relevant, right? So, you're not trying to like fade away like won't be paid out like Bigboss, it would still be there?

Ankit Gupta: Not in the near future, but we maybe five years, seven years down the line, we may think of just writing Dollar Man instead of Dollar Man, Bigboss.

Ankush Agrawal: And lastly, sir, in on receivables. So, I mean, if I look at sales last year H1, the Lakshya scheme was contributing around 16%, 17%. That has jumped to about 25%, 26%. But still, the receivables are still -- I mean, at similar levels are at higher levels. So, we are not really seeing any kind of benefit at least quantitative in terms of results of Lakshya's distributors having a substantially lower receivable scale. So, I mean what will not helping? Are we seeing much more higher receivables day on the remaining distributors versus last year? Or what are you not adding up over here?

Ankit Gupta: See, it's reducing your overall working capital days is a process. It won't happen in a...

Ankush Agrawal: No. I am talking specifically about receivables because...

Ankit Gupta: So yes. But as I've told you that two years back, the kind of receivable days we were into and reducing it to 108 days currently, the -- it was mostly contributed by the Lakshya distributors and the DFS scheme that we have. And out of 300 DFS distributors and the distributors, we got enrolled in themselves into Distributor Financing Schemes. Most of them are in Lakshya project only. So maybe that's why our major impact has not been seen right now. But yes, in a couple of years, you will see a drastic difference.

Ankush Agrawal: So, what would be currently the average receivables days for Lakshya's distributor versus our normal distributors or broad range?

Ankit Gupta: So average in Lakshya's distributor is somewhere around 70 days to 75 days.

Ankush Agrawal: And would this number also for the...

Moderator: Sorry to interrupt Mr. Ankush, may we request you to join the question queue sir, we have several participants waiting for their turn. We take the next question from the line of Darshil from Crown Capital.

Darshil: Yes. So, just wanted to know, sir, I think we have done very well this quarter. So, maybe is there a chance that we can do even better going into the Q3? Because with the winter coming back, which we are probably going to see after a few years, can we maybe push our guidance a bit higher? That is what I was thinking. Are we being a bit conservative in our guidance of double-digit growth? Can it surpass that? That's my first question.

And the margin trajectory with more premium products, we have already reached double digit right now. So, can there be any further improvement because of Thermalware and that's a higher margin product, right? So, just wanted a clarification on that, like how much better margin is Thermalware able to provide to us?

Ankit Gupta: So, we always believe in under-promising and over-achieving. So, we won't be revising our overall guidance. It will be same as we told in the last call itself, revenue growth will stick to it. Revenue growth we are seeing around 12% to 13% and EBITDA would be somewhere around approximately 11% this particular fiscal year.

Darshil: Okay, but fair enough, sir. But then in terms, is it possible that we will be able to over-deliver looking at the conditions or maybe the market conditions are not conducive for that part of the product, sir? Is that like a fair assumption?

Ankit Gupta: Sorry, I didn't get your question.

Darshil: So, I meant to say that we want to under-promise and over-deliver, but can we be a bit optimistic with our current scenario if that way because we are having a good market condition which stabilizes from wrong material?

Ankit Gupta: If the winter season is good, then we can assume that we can do a bit better and we can be optimistic about the revenue growth.

Darshil: Perfect. And this I also wanted to know in terms of our margin trajectory, currently we are at around, we are guiding for 11%. So, year-on-year, how would we see the growth? Maybe 1 percentage increase going forward with our working capital as well as other premarization efforts. That's a fair assumption to make, sir?

Ankit Gupta: Given the volatile nature of the raw materials that we have been facing for the past couple of years, so it would be very hard to actually comment on that right now. But in a couple of years, we should reach a steady-state where our EBITDA margins can be somewhere around 14% to 15% kind of a level.

Darshil: Okay. And sir just one last question in terms of pricing. So, as we said, we had around a 15% decline. So, just wanted to better sense for what is leading to the decline? Are we as consumers, picking more price sensitive or to push demand, we have to take part in it?

Darshan Jhaveri: So, I just wanted to get a sense in terms of pricing that I think our consumers are rejecting prices because of inflation problems that they are facing, or can we sustain or to increase demand, we have to keep prices low.

So, how is it working out in terms of pricing scenario that you feel that, okay, our pricing change will be able to take hikes or ASPs will increase due to a product mix change only. So, just wanted to get a sense in that.

Ankit Gupta: So, currently, we are not thinking of taking any kind of a hike. There might be a change in the product mix which will lead to ASP growth. But at a consumer level, they don't, it doesn't matter if you increase or decrease INR1 or INR2.

But at a retail level, retailer psychology or a channel partner psychology, and there are also a number of factors which play an important role. Our industry comprises of 50% unorganized market in Men's segment. And there are a lot of regional players in the economy range of segment, in the mid-premium also who are stronger in their particular region.

Plus, there are five players, three in the listed, two in the unlisted. So, everyone has to be on the same page in order to increase the price in the market, right? Suppose if you increase the price and the rest of the players who have a similar kind of a product that you have, it will really cause a problem in the market and the channel partner sentiments could be hurt through that.

So, we are not taking any price hike, or it's not planned right now. But yes, product mix changes will definitely show some amount of ASP changes.

Darshan Jhaveri: Oh, perfect, perfect. Thank you so much.

Ankit Gupta: Thank you.

Moderator: We move on to the next question from the line of Rehan from Equitree Capital. Please go ahead.

Rehan: Hi. Thank you for taking my question. I had a question regarding such a great volume growth. If you could just brief or tell us on which segment you saw the most growth from and if there's any, like if you see any reason for the same.

Ankit Gupta: So, we saw good growth in our premium segment post next. It was to the tune of 50%.

Rehan: Okay. Any reason for the same?

Ankit Gupta: We also saw good growth in our economy range of products to the tune of 42% in terms of value and 57% in terms of volume. So, it's majorly attributed to the new TVC company that we came up with using Saif Ali Khan as the brand ambassador for economy range of products. And this was the first time also where we advertised for post next in the cinema halls and everywhere. We made a new TVC for post next also with normal models, not a known celebrity phase. But yes, I think advertisement has impacted the sales growth and in a positive manner.

Rehan: Okay. And second question would be, any outlook since women wear segment also is a high margin business for you guys. Any percentage of revenue you think it could be potentially in the coming years, like you see it to grow significantly or any form of guidance on the same?

Ankit Gupta: So, in women segment, we have dollar women Missy and it's doing, it is also doing good. We saw growth of around 18% in terms of value and 25% in terms of volume.

Rehan: That is Year-on-Year basis?

Ankit Gupta: So, Year-on-Year basis in the quarter two. And so, we are very hopeful that for next two to three years, we'll see a good growth coming in from Force NXT and Missy. Apart from that, this particular quarter we did in thermals also we saw growth of around 25% in terms of volume and 15% in terms of value.

Rehan: Okay. So, this would be a higher margin product, right thermals and woman wear?

Ankit Gupta: These are the higher margin product ranges that we have. Apart from that, the active wear range that we launched in post next, the athleisure category. These are some of the product categories that we are very hopeful about in the near future. That will increase the overall AST at a company level.

Rehan: Okay. Thank you so much.

Ankit Gupta: Thank you.

Moderator: Thank you. So, the next question is from the line of Marsal an individual investor. Please go ahead.

Marsal: Yes, my first question is that, like, what was the main reason? So, the reason you already explained, like, regarding the increase of turnover in the quarter gone by. So, will we sustain this kind of INR412 crores of turnover in the December quarter also? And keeping in mind that, like, in corresponding December quarter in 2022, our sales was only INR285 crores.

Ankit Gupta: So, see, the quarter three really depends upon how the winter season goes. So, it is very hard to tell whether how the quarter would look like. Since last year, the quarter was not good because of the poor winters and winter coming in very late. So, all the purchases had been stopped by the channel partners. And this year, we are very hopeful and the best thing that we can do is hope for a good weather, good winter season to pass by. But we are very hopeful about our third quarter.

Marsal: Okay. And my second question that regarding this, the prices of raw material, as you said, the price of raw material is softening as compared to Q2 also. So, where do you stand in terms of the price of raw material currently vis-a-vis the average price of Q2? And did we take any price cut or price hike in our product since 1st of October?

Ankit Gupta: So, in Q2, we didn't take any price hike.

Marsal: In Q3, I'm saying Q3.

Ankit Gupta: In Q3, we are not taking any price changes or price cuts or price hikes. We are not taking anything.

Marsal: And the price of raw material, how are the prices of raw material are currently faring as compared to every size of September 22?

Ankit Gupta: So, it is at a stable level currently from past six months. We have not seen any much change in the yarn prices. And if you compare Q2 last year versus Q2 this year, we saw overall ESP degrowth of 13%.

Marsal: Okay. And this one important question you mentioned in the TPT that the export revenue in FY'26 will be 30 countries and 11%. So, what do you mean by 11%? 11% of the target turnover? So, it means our export revenue will be INR200 crores. So, it's INR220 crores because our target turnover for FY'26 is INR2000 crores?

Ankit Gupta: Yes, we really want to reach to that particular stage where our export increases. By FY'26, we really want to reach 30 countries with our total revenue contribution being 11% to our total sales.

Marsal: But sir, from the list of the countries you mentioned, I can see that you are present everywhere in GCC. But the main country is Saudi Arabia where the population is more than double of the entire five countries. But we are not there in Saudi Arabia. We are there in UAE. UAE population is nine million. But the Saudi population is 36 million.

Ankit Gupta Yes, we are trying to explore Saudi as well. Getting a good channel partner is a major task. So, in export, if you don't have a good channel partner who can partner with you and spread your products or market your products as his own, you won't get any success over there.

So, in Africa also, we have been trying from past couple of years and now we are getting good partners and we have started the African market. In fact, African market is also not bad. It's a really great market with a lot of consumption level is really very high.

Plus, in the kids segment, we will be launching Baba suit and from newborn to three years, four years kind of product range. And this kids range does really well in the Middle East region and the African market. So, it has a huge scope.

Marsal: Major economy of US and Europe where we can get a much high price, that is still emerging. So, what's your plan to make an inroad in the US and the European market?

Ankit Gupta: Sir, European market is really very different. In fact, if you talk about the body type that the European people have vis-a-vis the people in the Middle East or India, the pattern, the shapes is very different. Plus, the climatic conditions also, they use more of manmade fibres, polyester or poly cotton kind of a mix and we deal into pure cotton kind of a material.

So, it's a really very different market with a completely different product ranges. For that, you have, to have a very different set of product ranges which sell only in the European region. So, that's why we are not considering Europe as of now. But in near future, after we cover Saudi and the African states or the US, then we will be able to move to the European region quite effectively.

Marsal: Thank you. Thank you. Thank you.

Moderator: Thank you. We take the next question from the line of Anik Mitra from Finnonics Solution Pvt Ltd. Please go ahead, sir.

Anik Mitra: Good afternoon and wish all of you a very happy Diwali ahead. My first question is, sir, you have referred regarding premiumization. So, at this point of time, if I'm not wrong, your contribution of premium product is around 4%. Is my understanding correct?

Ajay Patodia: No, sir. In premiumization, we mean the high EBITDA level product. In premiumization category, we include force Nxt premium segment, plus thermal segment, plus dollar women, because all three categories have higher level of EBITDA.

Anik Mitra: So, what sort of EBITDA?

Ajay Patodia: Like in thermal, we have the EBITDA of around 15% to 18%. And in Missy, that is dollar women segment, it is around 14% to 17%. And in premium segment, like forced and extra, it is around 18% to 20%. So, all the three categories come under our premiumization category.

Anik Mitra: Okay. Sir, what is the roadmap? Like, do you have a plan to increase the contribution of these products in the pie? Or how do you look at it?

Ajay Patodia: Currently, like force Nxt contribute around 4% of our premium segment. So, we aspire to increase to the 8% of our total contribution by FY'26. And like in our women's segment, it is contributing around 12% to 13% overall contribution on our revenue. And we generally launch new products in women's segment, like we are going to launch active gear in women's segment. We already launched athleisure segment.

So, they get the good response. And we hope that we'll largely also launch lingerie in our dollar women's segment. So, we get that from this, we get a good EBITDA margin. And our total premiumization product is increased. And next year, we are also going to launch kids segment under dollar junior category. And they are also under the category of 15% to 18% EBITDA margin level. So, we expect that our total premiumization category increased by FY'26 to 33%. So, currently, it is 27%.

Anik Mitra: Okay. Got it. Thank you, sir.

Moderator: Thank you, sir. The next question is from the line of Jatinder Agarwal from Relax Capital. Please go ahead.

Jatinder Agarwal: I'm sorry if there is disturbance because I'm on the road. Two things. One, when I look at the project Lakshya, right? It's almost like 1/4 of our sales today and you still seem to give a guidance that it will be about 70% by FY '26. Is the benefits of project Lakshya are so visible, why is the strategy not being more aggressive? It's already like six years. I think five years or six years, we are already into the project. And we have another guidance of two more years to reach 70%. Can you explain that?

Ankit Gupta: So, Jatinder, the thing is that -- the problem is the intense competition that we have from the peer groups. And in our particular industry, what happens is that having five players off a similar level. And you can't actually afford to take a hit on your sales space. So, this particular project requires a lot of field work and it takes around three months to four months to get a distributor stabilized under the project.

Until then, we see some amount of gap which happens in the market. And everyone is just looking to increase their sales space also. So that's why instead of having a dent in our overall revenue, we took a call to first penetrate into the gray area, stabilize there and then move into the areas where the distributors are much more stronger and bigger insight in terms of sales, the revenue that they give us. So that's why, it's taking a bit of time. But rest assured, we are very focused about this particular project and make it a huge success.

Jatinder Agarwal: Okay. And my second question is related to the EBOs, right? I'm not sure how many EBOs we had last year, the same quarter. But are you also able to track what type of same-store sales growth is coming in some of these EBOs? I know the volumes are very small. The numbers itself are small, but is there any -- what type of -- basically, what type of feedback is -- are those EBOs giving back to you? If you could share some of your thoughts, that would be very helpful. Those are the two questions. Thank you.

Ankit Gupta: Yes. So, the thing is that, we started only EBOs somewhere there in 2021 -- and towards the end of 2021, October '21 was our first EBO, which opened in Ayodhya. Currently, we are planning at 18 EBOs. The major learnings that we got -- in this particular fiscal year, during the first half because the EBOs were kept open until February or March of last fiscal.

So, for the major feedback of the major understanding or lesson that we learned about this particular retail program or opening the EBOs is that, you need to have a higher ASP products first. The product mix should be very different from what you've given to the general trade. So, we are working upon that and that's the reason, why we have not opened any EBOs in the last six months' time.

So majorly, we are working on that time to create a few products, which would be exclusive to our EBOs. Currently, we have introduced around to five products that we have manufactured only for EBO, the Polo T-shirt, but getting a good response last month only it hit the stores and we're getting good response.

It's just that we need to crack the particular product mix or kind of freshness or a newer product, which does not go in the general trade where there's no conflict because as you know that in our general trade, things don't sell on an MRP basis.

And in EBOs, the consumer is always asking for the like approved promotions or some sort of discounting that they expect because it generally, in the Mandi's, they don't sell the products on MRP basis. So that's the problem that we are facing. But we are -- as soon as we are able to fix that, and we will start opening more and more stores.

Jatinder Agarwal: Any idea of how many stores we'll have by March end or over the next year?

Moderator: Sir, may we request you to join the question queue.

Ankit Gupta: By March end, I think we should reach from '18, we should reach to somewhere around 28 to 30 stores.

Moderator: Thank you, sir. The next question is from the line of Anushka Chitnis from Arihant Capital Markets. Please go ahead.

Anushka Chitnis: Thank you for taking my question and congratulations on a great result, sir. My question is also on the line of the EBOs and that I wanted to know, what's the revenue per store and the average transaction value in these reviews, if you can give us some idea?

Ankit Gupta: Sorry, can you repeat your question?

Anushka Chitnis: Can you tell us about the revenue per store and the average transaction value in the EBOs?

Ankit Gupta: Yes. So first of all, I would really -- I would apologize for my last statement that I made. And I would like to clarify that, uptil March, the number of stores would be somewhere around 21 to 22 and not 28 to 30 stores. And regarding the average ticket size, the average ticket size is somewhere around INR1,200 on an average. And on an average, each store sale is somewhere around INR2 lakhs, INR2.5 lakhs. And there are a couple of stores, which is about INR4 lakhs-INR5 lakhs as well. But on an average, it's somewhere around INR2 lakhs.

Anushka Chitnis: Okay. Thank you so much, sir.

Ankit Gupta: Thank you.

Moderator: Thank you. We have the next question from the line of Karan Sanwal from Niveshaay Investment Advisory. Please go ahead.

Karan Sanwal: Congratulation on good set of numbers. So, my question is, do we manufacture all the products that we sell or do we outsource a portion of it?

Ankit Gupta: No. So, we don't outsource our goods on an FOB basis. It's just that all the intermediary processes are being outsourced to the job worker. And up to the tune of 25%, we have in house manufacturing like whether it be spinning or knitting, processing, cutting and stitching. So, cutting is mostly in-house, a few contractors outside but they work only for us only because cutting is a major process where we really need to focus and where the quality of the pattern get determined.

Karan Sanwal: And also, how are you planning to scale up? Are we planning to scale up in-house operations? Or were any capex plans that you have for your maybe two years, three years down the line?

Ankit Gupta: So currently, we don't have any plans to expand our in-house manufacturing. It's on the job work basis only. And in our industry, it's very simple to add job workers and increase your overall production level.

Karan Sanwal: Okay. Thank you so much and all the very best.

Ankit Gupta: Thank you.

Moderator: Thank you, sir. The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Hello, sir. Thank you. I wanted to know what would be the share of outerwear to the total turnover?

Ajay Patodia: It is around 81%., innerwear is 81% and outerwear is 19%.

Pallavi Deshpande: And where do we see this going to in the next two years' time outerwear?

Ankit Gupta: So next three years' time, it would be somewhere around 25% because in terms of volume, what happens is, innerwear sales in bulk. So, the trade pack are pack of 10 or so. That's why to make a huge impact on the volume, it could be very difficult. That's why from 9% to 25%. But in terms of value in terms of the overall ESP growth, you will see a difference.

Pallavi Deshpande: Sir, what is the share in value terms is what I wanted?

Ankit Gupta: So, in terms of value -- I think it should be somewhere around 21%, 22% kind of a thing. We don't have the figures ready right now handy. So, we'll get back to you, like after the call.

Pallavi Deshpande: Thank you. All right, sir. That's all from me.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for the day. I would now like to hand the conference over to the management for closing comments.

Ankit Gupta: I take the opportunity to thank everyone for joining this call. I hope we have been able to address all your queries. For any further information, kindly get in touch with us. And thank you once again. Happy Diwali to every one of you.

Moderator: Thank you, sir. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.