Date:- 27th May, 2024

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

Dear Sir / Ma'am,

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

In continuation to our letter dated 13th May, 2024 and pursuant to Regulation 30(6) and 46 (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call held on Wednesday, 22nd May, 2024 at 4.00 pm (IST) as organized by Elara Securities (India) Private Limited, on the interaction of the Company's representative(s) on the Audited Financial Results of the Company for the quarter and year ended 31st March, 2024 and/ or any other matter as discussed, is as enclosed.

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

This is for your information and record.

Thanking you,
Yours Sincerely,

For Dollar Industries Limited

LALIT LOHIA Digitally signed by LALIT LOHIA Date: 2024.05.27 16:39:39 +05'30'

Lalit Lohia
Company Secretary and Compliance Officer

Encl: As above

“Dollar Industries Limited

Q4 FY '24 Earnings Conference Call”

May 22, 2024

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

MODERATOR: MS. PRERNA JHUNJHUNWALA - ELARA SECURITIES PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Dollar Industries Limited Q4 FY24 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Prerna Jhunjhunwala from Elara Securities Private Limited. Thank you and over to you, ma'am.

Prerna Jhunjhunwala: Thank you, Manuja. Good evening, everyone. On behalf of Elara Securities India Private Limited, I would like to welcome you all for the Q4 and full year FY24 Post-Result Conference Call of Dollar Industries Limited. Today, we have with us the senior management of the company, including Mr. Ankit Gupta, President, Marketing, and Mr. Ajay Patodia, Chief Financial Officer. Without much ado, we'll transfer the line to Mr. Ankit Gupta and after which, we can open the floor for Q&A. So, please, thank you.

Ankit Gupta: Thank you, Prerna. Good afternoon and a very warm welcome to each one of you. Before we delve into the financial results and operational highlights of the Q4 and FY24, I want to express my gratitude to all our shareholders, analysts, and stakeholders for joining us today.

Your continued interest and support are invaluable as we navigate the opportunities and challenges in our industry. I'll take you through the business and operational highlights of the quarter and the year gone by, while our CFO, Mr. Ajay Patodia, will share the financial metrics. We are delighted to announce that our company has achieved its highest ever quarterly and annual income.

These results are a testament to our unwavering commitment towards excellence, innovation, and customer satisfaction in the ever-evolving landscape of the industry. At the annual level, Dollar Industries Limited achieved remarkable growth with robust revenue numbers driven by strong demand for our products. For FY24, total income stood at INR1,577 crores, increasing by 12.7% year-on-year in line with our target revenue growth of 11%-12%. The total volume grew by over 21% in FY24 and net profit for FY24 was at INR90 crores, growing by over 71.7%.

We are pleased to see that the company has emerged stronger from the challenges of FY23. 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 256 basis points year-on-year to reach 32.2% in FY24. Due to early onset of Eid and the continued penetration of Project Lakshya, we had a robust and promising Q4, leading to our highest ever quarterly income.

Quarterly total income stood at INR502 crores, increasing by 23.2% year-on-year. The total volume grew by around 17.6% year-on-year in Q4 FY24 and net profit for the quarter grew significantly to INR33 crores. The cash conversion cycle in FY24 improved to 150 days down from 159 days in FY23. Largely attributed to reduction in inventory days, this reduction in inventory days can be primarily attributed to the removal of high-value inventory from the system.

In Q4 FY24, advertising expenses was INR22.5 crores whereas in Q4 FY23 it was around INR20.4 crores. For FY24, advertising expense was around INR100 crores, keeping in line with our annual target of 6% to 6.5% of top line. A strong revenue outlook coupled with stable raw material prices and strong push towards premiumization will help us sustain and grow our margins. The reception of our Force NXT Activewear and Women's Athleisure products during the past quarter has been extremely favourable.

For the quarter gone by, Force NXT grew 32% year-on-year in value and 53% year-on-year in volume terms, which reinforces our commitment towards growth in higher margin segment. For FY24, Force NXT grew by 42% in value terms and 52% in volume terms. Missy brand grew by 10% year-on-year both in value and volume terms in Q4 FY24.

In FY24, Missy brand grew by 7% in value terms and 9% in volume terms. The impressive growth observed in the Force NXT portfolio assures us that the premium segment will continue to be essential for maintaining sustained revenue and profitability growth in the future. In Q4 FY24, the premium segment portfolio, Force NXT, Force Go Wear, Thermal and Pepe increased by 28% year-on-year in value terms and 52% year-on-year in volume terms.

For FY24, the same segment increased by 18% in value terms and 26% in volume terms. Turning our attention to Project Lakshya, in Q4 FY24, we welcomed 10 new distributors into this initiative, increasing our total distributor count to 290 from 229 distributors we had as on March 23. We are happy to state that Project Lakshya contribution to the company's domestic sales has grown from 18.6% to 26.3% in FY24. We are targeting Project Lakshya distributors to contribute 65%-70% of our revenue by FY26. To further strengthen our reach and range, we are excited to announce that in FY24-25, the company will launch Project Lakshya in three new states, Madhya Pradesh, Jharkhand and Himachal Pradesh. Modern trade and e-commerce sales accounted for approximately 3% of our total sales in Q4 FY24 and 4% in FY24.

Our goal is to raise this figure to around 8% by FY26. Despite challenges posed by market dynamics, our strategic focus on delivering high-quality products coupled with operational efficiencies has allowed us to expand our market presence. Thank you all.

Now I would hand over the call to our CFO, 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 FY24 earnings call. I will give a brief overview of the financial numbers for the quarter before we open for questions and answers. I hope everyone would have got a chance to look at the earnings presentation and the press release by now. While Ankit ji already covered the macro-outlook, I will try to explain in a more granular manner the financial performance of the quarter gone by.

Our revenue from operations rose by 23% year-on-year to INR500 crores in Q4 FY24 from INR406 crores in Q4 FY23. Gross profit for Q4 FY24 reached INR153 crores witnessing a strong year-on-year growth of around 53.6%. Gross profit margin for Q4 FY24 stood at around 30.6% against 24.5% in Q4 FY23, expanding by 609 basis point year-on-year. The year-on-year margin expansion is indicative of the stability in raw material prices, which had posed a significant challenge to the industry during FY23.

Gross profit for FY24 was INR506 crores, a year-on-year growth of 22.6%. Gross profit margin stood at 32.2% against 29.6% in FY23, expanding by 256 basis points. Operating EBITDA in Q4 FY24 showed strong growth increasing by 405.9% year-on-year. Reaching to INR57 crores.

Operating EBITDA margin for Q4 FY24 expanded by 865 basis points year-on-year to 11.4% in FY24. Operating EBITDA increased by 61.5% to INR159 crores in FY24. Operating EBITDA margin for the FY24 expanded by 304 basis points to 10.1%. Profit after tax for Q4 FY24 witnessed a substantial 5,912% growth year-on-year, reaching INR33 crores with PAT margin at 6.6% for FY24. Profit after tax saw a 71.7% year-on-year growth, reaching to INR90 crores with PAT margin at 5.7%.

I would quickly run you through the brand-wise contribution for the quarter. Dollar man Bigboss contribute around 39%, Dollar Always Regular contribute around 44%, our Thermal Rainwear products contribute around 2.27%, Dollar Women contribute about 8.17%, and our Premium segment contribute 4.25%. We remain steadfast in our commitment towards our strategic priorities and growth pillars. As we pursue our long-term objective of sustainable growth and profitability, following a strong quarter and our focus on premiumization, we are confident in our ability to achieve robust revenue and profit growth, both in current financial year and in the near future.

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

Moderator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ankush Agarwal from Surge Capital. Please go ahead.

Ankush Agarwal: Hi, sir. Thank you for taking my question. First of all, can you tell me what was the like-for-like growth for Lakshya for Q4 as well as for FY '24?

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

Ankush Agarwal: What was the like-for-like revenue growth for Lakshya for Q4 and for FY '23?

Ankit Gupta: Initially, in FY '23 March, we had around 229 distributors. Currently, we have around 290 distributors contributing around 26% of our total revenue, which was otherwise 18.3% of our total revenue. And if we look at our distributors, sales growth, who was present in the last full fiscal year versus this fiscal year, it stands somewhere around 26%-27% kind of a volume growth.

Ankush Agarwal: What would be the revenue growth, sir, not the volume growth?

Ankit Gupta: It would be 26% of our 1575.

Ankush Agarwal: That I understood. I just wanted to understand what has been the revenue growth for distributors who were there in FY '23. So our overall business has grown by 13%, but for the Lakshya scheme as such, what was the growth?

Ankit Gupta: It would be somewhere around 18%-19%.

Ankush Agarwal: 18%-19% because this number was 10% as of 9-month FY '24, the number that you gave me last fall.

Ankit Gupta: That was?

Ankush Agarwal: You said 10% in Q3 FY '24, that for the 9 months, the like-for-like growth for Lakshya project is 10% revenue.

Ankit Gupta: Yes.

Ankush Agarwal: Second question, what led to this substantial reduction in gross margins?

Ankit Gupta: So overall, if you look at the figures, we have increased our gross margin from 30% to 32.3% for the whole year basis. And if you look at our quarter-on-quarter basis, there has been a reduction because Q2 and Q3 are mainly the seasons where thermal product gets sold, which is a higher EBITDA product, higher gross margin product. So that is the main reason why there is some amount of reduction in the gross margin in the 4th quarter.

Ankush Agarwal: And like in the coming years, do you expect this gross margin to increase? Because I think in Q3, we are targeted for 14%-15% EBITDA margin at a INR500 crores revenue base. So though we have achieved the revenue, I think the margins are materially lower primarily because of gross margins. And lastly, on the working capital, so our working capital has increased this year, despite the fact that the contribution from Lakshya itself has increased again this year. So again, we have not seen the benefits of Lakshya projects increasing revenue on our working capital?

Ankit Gupta: So, Ankush, the thing is that overall there has been a reduction of 9 days at a company level. The debtors days have come down by 2 days only if you take the average of opening and closing. But if you look at it like this way, because Q4 in our industry is always heavy, right?

And in this 4th quarter, our total revenue was INR502 crores, vis-a-vis total debtors which was outstanding was INR482 crores. So it was almost 90 days given the revenue in Q4. But overall at a company level, yes, I agree that there has been just 2 days of reduction from 109 to 107 days. There has been a substantial reduction in inventory days, which was 108 days last year March, like March '23, versus March '24, which is standing at 97 days.

Ajay Patodia: And also, Ankush, we assure you once the contribution of the Lakshya project increases from 50% to 60%, then you get the effect in all total receivables also. As it contributed only 26%, so it is not visible in the figure. But when we completed the project Lakshya and contributed around 50% to 60%, it got visible in the figures also.

Ankush Agarwal: So, like again on this, so how confident are you that in 2 years you will be at 65%? Because I think in last 2 years, we have gone from say 9% to 26%, so about 15-odd percent jump. So now you are saying you will more than double this number from say 26% to whatever 60%-65%. So how confident are you that you will be able to do that?

Ajay Patodia: Actually, last year we added only one state due to implementation for launch of the Lakshya project. Currently, we already have three new states included for our Lakshya project implementation, that is Jharkhand, MP and Himachal Pradesh. So, when you implemented many states, then contribution transferred from the normal sales to Lakshya contribution.

So, due to this reason, our target is by FY '26, within 2 years we can cover 60% to 65% revenue from the Lakshya project.

Moderator: The next question is from the line of Meet Shah from Finnovate. Please go ahead.

Meet Shah: Hello sir, good afternoon. First of all, congratulations for great set of numbers. I have recently started covering this company and I was going through your previous con-calls and management interviews to understand about project Lakshya but couldn't understand. So, what exactly are we doing with this project that is different from general trade and how will this project help us to gain the market share?

Ankit Gupta: So, through this particular project, what we are trying to do is, we are trying to increase the reach and range in the market. So, increasing the number of retail outlets thereby increasing the visibility of our product in the market. Secondly, also increasing the range like the different product categories that we have.

Men's, Women's, Innerwear, Athleisure, Activewear, Force NXT which is our premium product. So, what we are trying to achieve is, we are trying to take more and more of a shelf space of a retail outlet as well as increasing the number of retail outlets who can actually keep our product and sell it. This is one thing.

This particular project will also lead to a decrease in the overall working capital cycle once a substantial amount of contribution starts coming in from this particular project. So, what happens in this project is, we install distributor management system, auto replenishment system at the distributor's end. So, we get the visibility as to what the distributor is selling, to whom he is selling and at what frequency he is selling.

So, today I have a clear data that at a particular pin code level, how many retailers are buying my product and at what frequency and which product they are keeping, and they are giving a repeat order of which product. So, all those market intelligence are being gathered in the software itself. So this is how we create a differentiating factor as to how others also market their goods or how we also use to market our products with the general trade old model.

So this is the major differentiating factor. Through auto replenishment system, we are trying to create a pull model instead of a push model wherein the distributor's stock gets replenished on a weekly basis based on whatever he sells in the previous week. So this is how we control the channel stocks also and optimize the stock level at our warehouse.

Ajay Patodia: Moreover Meet, in the innerwear industry, generally in the distributor segment, any distributor's average retail strength is around 100 to 150 retailers. But in our Lakshya project, the distributor enrolled in the Lakshya system has an average retailer of around 200 to 300. So in this case, the distributor has a strength of, reach of 300 retailers.

In our industry, if you want to share of other brands and gain our market share, we have to connect with the retailer also because the retailer in our industry is the key milestone who changes the preference of the consumer because every retailer has his consumer base. And here we connect with the retailer and retailer also through telecalling system, through logistic, here we have a SOP in our project Lakshya that whenever a retailer is required, the product should be sent at their shop within 24 to 48 hours.

So, a retailer has not to maintain the working capital, his working capital decreases. So the surplus amount of revenue he can contribute in other products also. So when the retailer is buying our one product and due to surplus in working capital, he can choose more products also. So in this way, our project Lakshya main motto is to make a retailer so that all the innerwear product in their shop is related to Dollar only. So this is the basic concept in this project Lakshya.

Meet Shah: Okay, sir. Got it. And I have one more question. If brands like Zudio which have a strong penetration in the economic segment through EBOs, introduce innerwear to their product portfolio at competitive price, will we face intense competition given that the majority of our revenue still comes from the economic segment?

Ankit Gupta: So our overall ASP at a company level is somewhere around INR65. So matching that and being a pioneer and we have been spending in advertisement from past 20, 25 years. And it has been a huge investment also. People know our brand. So I don't see them posing a major challenge. But yes, if we talk about moving into a modern retail or a modern kind of a shop and not going to a mom-and-pop store, that would cause a problem for the people who goes to a modern retail for purchases rather than a mom-and-pop store. But overall, our industry is majorly driven through mom-and-pop stores and normal MBO, small retail outlets that we have. So we don't see that kind of a threat coming in.

Meet Shah: Okay, sir. And sir, one last question if I can chip in. If you can throw some light on our debt position, it has almost doubled from INR161 crores to INR300 crores now. What's the reason for this and any guidance on finance cost for the next year?

Ajay Patodia: Generally, Meetji, this working capital loan is taken for the increased requirement of the working capital for inventory purposes. We have to grow for 12%. We have to target for INR500 crores inventory in quarter 4. So it is taken only for the working capital purpose. And we expect this -- by this year, we have normalized the situation and return back around INR120 crores-INR125 crores position.

Meet Shah: Okay, sir. Also, any guidance on the finance cost?

Ajay Patodia: Our average finance cost combination is around 7% to 8% to the company. And it is around 1% of the total revenue. So once the working capital requirement is reduced through internal accrual, we think that this is also reduced to 70% to 75% in the current year.

Meet Shah: Okay, sir. Thank you. I will get back in the queue.

Moderator: Thank you. Ladies and gentlemen, you may press start and 1 to ask a question. The next question is from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: Hi. Thank you for the opportunity. I think in the previous calls, we had given a guidance that by FY'26, we are expecting to hit about INR2,000 crores top line, which seems to imply about a 15% top line growth for the next couple of years. I was just wondering whether that is still the guidance for this financial year, or would you like to revise that upwards? Are you hoping to get a 20%-25% growth in top line this year?

Ankit Gupta: No. This year's guidance would be somewhere around 12% to 13%. And for FY'26 also, it would be somewhere around 13% to 14% itself. So we will be able to match INR2,000 crores in a couple of years.

Parikshit Kabra: So that's the part that I am trying to understand why our guidance is only at 12% to 13%. Arguably, that is almost nominal GDP growth. And with our project Lakshya and increasing coverage and in the places where our coverage is there, we are expecting to gain market share more aggressively. Shouldn't we be hoping to get much more than 12% to 13%? Where is this number coming from?

Ankit Gupta: See, so this year we don't see any upward trend coming in terms of prices. So there won't be any ASP change. Some change might be there, like 2% to 3% change might be there because of the product mix change. But overall, increment of price is not happening much. So it would be mainly driven through the volume growth that we are seeing. And the industry has been growing at a rate of 7% to 8%. And what we are expecting is to grow volume by 11%, around 11%.

Ajay Patodia: So as per Vazir, the total growth in our industry is around 7% to 8%. But we aspire to grow 12% to 13%. You are certainly right that through Lakshya project we can achieve more than 15% target. But we have the conservative approach so that we commit less and give the result for more.

Parikshit Kabra: Got it. Understood. And I think this question was asked previously also, but I don't think it was fully answered. Which was that we have given a guidance of hitting around 14% to 15% EBITDA margin. And currently even in Q4 we would have been at about 12%. So where are we seeing that extra 3% coming from? Are we expecting gross margins to improve? Are we expecting some kind of operating leverage? But I am not sure where that leverage will kick in from.

Ajay Patodia: Basically, in our industry we expect that 14% EBITDA margin is sustainable. And we expect that current year we have the 100 basis point gain. And next year 100 basis point gain. So we achieve the 14% margin in around FY’26. The margin coming from the product mix also because we have currently 28% contribution from the high EBITDA premiumization product.

Which we target to increase to 37%. And other than when your sale is increased, your fixed cost is rationalized. So in absolute terms we incurred advertisement of, brand expenses of around

INR100 crores, that is around 6%. When your revenue increased to INR2,000 crores, it is around 5%. So, 1% is coming from the advertisement cost only.

And like this we have the employee cost and other costs which are rationalized when your revenue is increased. So, in our industry when you increase your revenue, your cost is optimized accordingly. So, according to this we have the project that by expecting INR2,000 crores revenue, we have the 13%-14% EBITDA level margin.

Parikshit Kabra: Got it. So, because I was under the impression, of course you are right that the employee cost as well as other expenses will get divided into a higher revenue number. But advertising expense you are guiding to 6% of top line, right? So it's almost a variable cost.

Ankit Gupta: So, at a certain level you don't need to spend 6%, 6.5% of your total revenue. Because I think INR100 crores, INR110 crores is good enough amount to create visibility in the market. And it's just enough to be spent. So, it's not that at a INR2,000 crores level, we will be spending 6.5% of INR2,000 crores. But it would be somewhere around INR110 crores maybe.

Parikshit Kabra: Got it. Understood. So last question. In the last conference call, you had mentioned that for Q3, your project Lakshya contribution was 29%. Can I get the same number for Q4, only for Q4?

Ajay Patodia: It is around 21% in volume growth.

Parikshit Kabra: Not in terms of volume growth, in terms of contribution. See, I am trying to compare the number. If in Q3, the contribution was 29%, I am hoping that number would be higher in Q4.That's what I am trying to check?

Ajay Patodia: One minute. One minute.

Parikshit Kabra: No problem.

Ajay Patodia: Total contribution of project Lakshya is around 32% of the total contribution during the year, in current quarter.

Parikshit Kabra: In current quarter, right? In Q4, 32% is project Lakshya.

Ajay Patodia: Yes.

Parikshit Kabra: Perfect. Alright. Thank you.

Ajay Patodia: Thanks a lot.

Moderator: Thank you. The next question is from the line of Resha Mehta from Green Edge Wealth. Please go ahead.

Resha Mehta: Yes, thank you. So, the first question is that, in FY'25, do we see volume growth, value growth to be ahead of volume growth?

Ajay Patodia: In FY'25, we expect volume growth mainly because currently the price in the raw material segment, that is yarn and cotton, is stable. And we expect more volume growth around 10% to 11% and value growth around 2% to 3% for this year.

Resha Mehta: And gross margins, barring the high inflation period, they have been around 34%-35% historically thereabouts. So, when do we go back to the historical gross margins? Would it be in FY'25 or FY'26?

Ajay Patodia: By FY'26, we have the target to achieve that 34% sustainable gross margin.

Resha Mehta: Okay. And just a quick clarification. In your presentation, at one place, when you give the revenue by gender, it shows 15% for women. While in some other slides, it is around 9% for women. So, what's the correct number?

Ajay Patodia: Actually, it is 15% for women. Basically, 9% is our Dollar Women Missy segment and 6% contribution is added in our Athleisure segment. That is a part of Big Boss Dollar Athleisure segment. Because we also launched the Activewear in the Women's segment. So, actually, if we take the contribution for Women's segment, it is around 15%. But 6% is from the Athleisure and 9% from the leggings.

Resha Mehta: Got it. And would women and kids be higher margins versus the rest of your portfolio?

Ajay Patodia: Yes, yes, you are correct. Our EBITDA level margin in Women's and Kids' segment is more than the Men's segment.

Resha Mehta: By how much approximately?

Ajay Patodia: If 12% to 13% EBITDA level margin in Men's segment, then it is 16% to 17% margin in Women's segment and Kids' segment.

Resha Mehta: Got it. And on the project Lakshya, can you please explain why despite the increasing revenue contribution from project Lakshya, we are not seeing the improvement in the working capital? Because it was expected to reduce inventory and even receivables to an extent. So, why is that not playing out? Because now 26% revenue is from project Laksh. Certainly, at a blended level, we should see at least some improvement on the working capital side.

Ajay Patodia: Correct, you are very correct. As it is contributed around 26% and figure is our 74% is our general sales, general movement for the store. So, our expectation is when we contribute around 50% to 60% of the sales from the project Laksh, then it is visibly in our figures. And currently, we also implement from April '24, S/4 HANA. In S/4 HANA, we also implement the production planning module.

And production planning module, it is integrated with our Lakshya project server also, where we have the data for last three years for every retailer requirement, every retailer buying trend. So, accordingly we can optimize our production level and accordingly our inventory days is also reduced. But it takes one to two years chance. For this, we have the target by FY26 you can see the effect of Lakshya project in our overall working capital whether it is receivable or whether it is inventory.

Resha Mehta: So, as of now, for the distributors which are onboarded onto the Lakshya platform are we seeing a reduction in inventory and receivable days already or are we not?

Ajay Patodia: Already our receivable days in Lakshya project is around 65 days and inventory days is around 70 days to 75 days because in Project Lakshya we implement the ARS system. So, inventory is required only as required by the retailer or distributor.

We have set the SOP level and the economic order quantity for every distributor which is as per their service to the number of retailers. So, it is basically a scientific model to reduce the inventory at distributor level and in retailer level. So, accordingly, our inventory days normal is 97 days, but currently if taken at Project Lakshya level distributors have the inventory of 60 days to 70 days only.

Resha Mehta: So, this effectively means that while the improvements in Project Lakshya distributors are happening on the working capital side, it is being more than offset by the worsening working capital on the general trade channel then that is the only possible conclusion?

Ajay Patodia: Correct.

Resha Mehta: Okay. And you are saying that we will see this flipping the substantial improvement in working capital only when the contribution from Project Lakshya reaches that threshold of 50% revenue contribution which happens around 50%, 60% which happens hopefully by FY26. Is that correct?

Ajay Patodia: Correct.

Resha Mehta: Alright and also in the states where you say that your Project Lakshya you have empanelled distributors under Project Lakshya. So, typically, what percentage of your distributors would have already, you know, on boarded onto this Project Lakshya platform and give some more granular colour you can give, are these distributors your large-size distributors or they are largely small-size distributors where you have a higher bargaining power, and the larger distributors are still not wanting to onboard the platform for whatever reasons.

I mean, they don't want the data to be shared transparently or for whatsoever such kind of reasons. So, can you just confirm some granular colour on this that what kind of distributors are there or not there on the platform, large, mid, small size?

Ankit Gupta: So, in Project Lakshya what is happening is we select a particular state. Then we first start with the areas where we are weak like on a district and a taluka-wise manner. So, first we try to control that particular area by appointing new distributors or requesting the old distributor to change to this particular model. First, we cover that particular area then we touch the main feeding market where our big distributors or wholesalers are present.

So, like what we did in Rajasthan was Jaipur being a feeding market where almost 55%, 60% of our total revenue used to come from Jaipur itself in Rajasthan. So, we covered the entire Rajasthan, we covered the outer area of Jaipur and then entered Jaipur and converted our big distributors into this particular project.

So, around 20% of our total distributors are already there in this project. So, we have around 1500 distributors at the company level out of which 290 distributors, 300 distributors are already there in the project. So 20% of our distributors are covered and contributing around 26% of our total sales.

Resha Mehta: Sir, but most of these distributors who are empanelled, are they mostly mid and small size distributors and the larger distributors more or less are still staying away from this because they have a higher bargaining power?

Ankit Gupta: No, see if we want to cover a state, if we want to complete the state ultimately everyone has to come in. So, the first right of refusal has been given to our old distributors and wholesalers. If they are okay with it, then we proceed. Otherwise, we appoint a new distributor. We don't give them any second chances, but yes big distributors may cause a bigger dent.

So, we are being cautious over there and initially whenever we start a particular state there is hesitance among the distributors as to because they have to change the entire infrastructure, the way of working is very different and once we create two to three success stories it's then the other distributors get more interested in coming into this particular project.

Ajay Patodia: Also, in case of big distributors if they are reluctant to join our project then we cut their total area and appoint new distributors. So after some time when they see that their growth history of the Lakshya distributors is more than theirs, so they self-join our project.

Resha Mehta: Got it. And lastly, I missed the guidance for margins for the current financial year FY25. So, FY26 you mentioned 14%. So, what are we looking at for this financial year FY25?

Ankit Gupta: So, in revenue terms it would be somewhere around 12% to 13% and at EBITDA level it should be somewhere around 11.5%, 12% kind of a thing.

Resha Mehta: Got it. All right. Thank you. All the best.

Ankit Gupta: Thank you.

Moderator: Thank you. Ladies and gentlemen, you may press start and 1 to ask a question. The next question is from the line of Yash Sonthaliya from Buoyant Capital. Please go ahead.

Yash Sonthaliya: Hi, team. Congratulations for the good set of numbers. Hello. Am I audible?

Ajay Patodia: Yes, audible.

Yash Sonthaliya: So, there is a notable decrease in operating cost in the recent quarter. Could you provide insights into the key factors or actions that contributed to this cost reduction and how sustainable are these measures?

Ajay Patodia: Yes, regarding cotton it is now our MD has given an interview on morning in ET Now and accordingly our MD has already told that yarn and cotton market is moreover currently in a stable position and currently we don't think any increase in the prices. So, there is no any expectation that there is any cost increase in our model or any major changes in the cost structure.

Yash Sonthaliya: Sir, my question is regarding operating cost. There is a notable decrease in operating cost this quarter.

Ajay Patodia: Operating cost?

Yash Sonthaliya: Other expense.

Ajay Patodia: Okay. Now other expense is around INR71 crores in this quarter. INR72 crores with respect to December quarter is INR57 crores. And last year, INR67 crores quarter-on-quarter, year-on-year basis.

Ankit Gupta: So, basically, it is driven because of the higher revenue levels. So, last year, our revenue was INR407 crores. And this year, our revenue is INR502 crores on a consolidated basis. And that's why a lot of cost got optimized like rent expenses, advertisement expenses. So, last year, our advertisement expenses were somewhere around 7%, 7.5%. Vis-a-vis 6.5%, this particular fiscal. So, it's basically driven because of the revenue growth.

Ajay Patodia: Basically, Yesh when the revenue is increased, then fixed cost is optimized and rationalized. So, current year revenue is INR500 crores with respect to last year INR407 crores. But the other expenses is in absolute amount at same level only. So, you see the decrease in the other revenue, other expenses percentage.

Yash Sonthaliya: Got it. And my second question is like going forward with the rampage of the Project Lakshya, are there any material or impactful changes going to happen to our EBITDA margins like we are giving discount to retailers and incentive to retailers?

Ankit Gupta: No, it will be at a similar level because even if we give some less schemes in Lakshya Project, it is being compensated or taken over by the extra cost of people that we have to incur. We have to invest in the sales team, the infrastructure for the distributors, the DMS system, ARS and the tele callers. So, all those things are taken together. More or less, it is at a similar level. So, no major impact would be seen.

Yash Sonthaliya: Got it. Thanks a lot. That's all from my side.

Ankit Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Chirag Fialoke from RatnaTraya Capital. Please go ahead.

Chirag Fialoke: Thank you for the opportunity and congratulations on a good set of numbers. Just one or two small clarifications. So, this year probably our advertising spend was close to INR102 crores. Is that right? The full year?

Ankit Gupta: This year, it was INR100 crores.

Chirag Fialoke: INR100 crores. And we will be ballpark in the same region in the near let say next 2-3 years. Do you think that's kind of enough to have as a share of…

Ankit Gupta: Somewhere between 100 to 110, we don't think it will increase more than that.

Chirag Fialoke: Much beyond that. Understood.

Ankit Gupta: Generally, we are targeting 90, 95 should be an apt amount.

Chirag Fialoke: Got it. Understood. And just a little bit of a drill down on some of the commentary from a few participants before me. Obviously, given that Lakshya has increased, and Lakshya distributors deploy or use a lot less working capital, the ex-Lakshya distributors have worsened and probably significantly in terms of their working capital requirements. Is there anything there which is a change or a departure from the way they used to work in the past? Could you just throw a little bit of light on non-Lakshya distributors in terms of working capital? What have been the developments? Why has it become a little worse in this financial year?

Ajay Patodia: Pardon, can you repeat the last line?

Chirag Fialoke: The non-Lakshya distributors, their working capital drain on the system has obviously worsened. That's why the overall number is worse even though there's an increased share of Lakshya. So I'm just talking about the non-Lakshya distributors. Is there some one-off there or have they generally been on a trajectory of worsening working capital requirements, larger receivable days, larger number of inventory days that need to be held against non-Lakshya distributors? What is going on there that is making that group of distributors perform worse than even last year?

Ankit Gupta: So, Chirag, the thing is that at an inventory days level, if we compare it with the last year, March '23, we have reduced it from 108 days to 97 days currently. And data days have been reduced by 2 days overall. But overall, if you see the non-Lakshya distributors, it's not that they have worsened.

Yes, maybe in debtor days overall, we saw some movement happening in Q2, Q3 as well because the payments were slow in the market. But at that point of time also, we stopped their billing, and we were not at all liberal with our distributors at that point of time as well. So, yes, the debtor days is on a bit of a higher side. And with the increasing contribution from Lakshya distributors, we should have seen more decrease in the overall debtor days. But it should improve in the near future.

Ajay Patodia: More or less, Chirag, in Lakshya distributors, we have the DMS system and ARS system implemented at the distributor level. So we have the knowledge of total inventory with the distributor or total receivable with the retailers. We have that knowledge at our server level. But in case of non-Lakshya distributors, we don't have any of our distributor inventory and their retailers' dues and other things. And in Lakshya system, we support the Lakshya distributors through logistics, through our salesman, exclusive salesman representative and through tele calling system so that they get the better facility to reach the retailer more frequently. But in case of non-Lakshya distributors, they have the limited capacity.

Basically, in the moment, most of the distributors are proprietary firms or partnership firms. So they are only one or single or two persons there to manage the whole business environment at the distributor level. So for there, it is not possible to match the Lakshya distributors' reach and space.

And more things like for Lakshya distributors, we have the SOP. Or accordingly, we have always tried to Lakshya distributors to pitch for the recovery from the retailer on a timely basis. But in case of non-Lakshya distributors, there is no such SOP.

And as we have already in Lakshya distributors' system, we give the minimum guarantee to 18%-20% of ROE for our Lakshya distributors. So that they have to follow our SOP to gain that 18%-20% ROE. But in non-Lakshya distributors, there is no such requirement. So there is the debtor and inventory days is certainly some more than the Lakshya distributors.

Chirag Fialoke: Understood. And just to confirm, last year, the closing inventory was INR357 crores-INR360 crores. This year, that number is INR486 crores? Is that correct? Is that the right number or am I getting that wrong?

Ajay Patodia: INR357 crores. Correct.

Chirag Fialoke: And where, on a stabilized basis, in say FY '26, when you have reached 60%-70% coverage from Lakshya, what is your target inventory days, target receivable days at the system level? And also just define that for us. How will you look at day visits on COGS or other things?

Ajay Patodia: Our target by FY '26, we have reduced our working capital days to 125-130. And out of 125-130, we optimize our inventory at 90 days. Actually, in our industry, we have the inventory 90-95 days is the optimum days. And receivable days of around 65-75.

Chirag Fialoke: And inventory and receivable, both in the denominator, you look at sales. Is that right in terms of sales?

Ajay Patodia: Yes, that's right.

Chirag Fialoke: Understood. Thank you so much for the opportunity. Thank you.

Moderator: Thank you. A reminder to all the participants you may press star and 1to ask a question The next question is from the line of Harshit Mundhra from Basant Maheshwari Wealth Advisor. Please go ahead.

Harshit Mundhra: Yes, sir. So, congratulations on hitting the revenue guidance that you gave. And the EBITDA margins that you gave in the previous con calls. I wanted to know that on the previous con calls, you had told that you are focusing more on premiumization at least. So, right now, the revenue contribution of premium segment is 4.5% or so. So, how much are we targeting to take it to?

Ajay Patodia: Our total contribution from the high EBITDA margin product is around 27% in FY '24. And in high EBITDA margin product, we refer Force NXT, our premium product, our thermal contribution, our women's segment contribution and our kids contribution. So, currently, the total contribution of the revenue from the high EBITDA margin product is around 27%. And by FY '26, we have the target to achieve by 33%. So, in 27%, athleisure contribution is also included.

Harshit Mundhra: So, the other question was, we have a target of 125 EBOs by end of FY '26. And in the past 2 years, after foraying into EBOs, we have launched approximately 17 EBOs, if I am correct. So, this year, we were able to launch just 3, if I am correct. So, are we not getting the traction or what is the issue?

Ankit Gupta: Being ASP, a bit low on a lower side. So, it has its own challenges overall. And so, we were trying to fix the problems that we faced in the last fiscal. And we are very hopeful that we will be opening up new stores. And by FY '26, we should touch around 100-120 stores.

Ajay Patodia: Basically, for average ticket size of the product is around 1200 for breakeven in any EBOs. Currently, our ticket size is 700. So, we are thinking that when we premiumise our product, our ASP is increased. So, within 2-3 years, we can reach to open new EBO centre accordingly.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comment. Over to you, sir.

Ankit Gupta: Thank you all for taking the time out to join the earnings call. I hope we have been able to address all your queries. For any further information, kindly get in touch with us. Thank you once again. Thank you. Have a good day.

Moderator: Thank you. On behalf of Elara Securities Pvt Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.