"Dollar Industries Limited
Q1 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Dollar Industries Q1 FY2019 Earnings Conference Call, hosted by Edelweiss Securities 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 for an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nihal Mahesh Jham from Edelweiss. Thank you and over to you!

Nihal Mahesh Jham: Thank you Bikram. On behalf of Edelweiss I would like to welcome you all to the Q1 FY2019 Results of Dollar Industries. Without any further delay, I would like to hand over the call to Mr. Vinod Gupta, MD for his opening remarks. Over to you Sir!

Vinod Gupta: Good afternoon ladies and gentlemen. I would like to thank everyone here for joining us today for earning call of Q1 2019 and FY2018-2019 of Dollar Industries Limited. The results has already been published and put up in Company's and exchange website. The presentation on the same has also been shared with you.

Update on the company's business for the quarter, first quarter the company got listed on Bombay Stock Exchange on 7th of June this year. The shares of the company now can also be traded on BSE. The company has now Chitrangada Singh as the face of Dollar's Missy. We have launched the new TVC and holdings for the brand Missy.

We embark upon the journey for creating brand equity for Dollar Missy also and we have done in the past for our flagship brand Dollar Bigboss. We had invested heavily in our brand Dollar over the past 11 years. We havespend more than 500 Crores to build the brand Dollar, now it is the time for us to monetize the same.

The journey of 1000 Crores for the company for the particular style and model. The system got more distributorship for good and it was more led on, on the primary sales, but now we understand that the journey of the next 1000 Crores we need to have a different outlook. To understand that the focus of the company has to be on expanding the retail base; objective of the company has to increase the base manifold and focus on secondary sales. To differentiate the company from others in the industry we have already started building up the platform of transformation from being a push brand to creating a pull in the market.

Going forward in this journey we are engaging with one the most well known consultant in the industry to have a pilot test. We are aware that this might impact the topline growth for a short spend of time, but we expect the phenomenon results in the long run. The focus is to work on key variables that would be beneficial for overall health of the company.

On a quick update on our JV Company, the joint venture with Pepe Jeans has already started the production and soon we are going to launch the product in the southern part of the country before the festive season. I would now ask Ms. Shashi Agarwal to talk about the financials of the company.

Shashi Agarwal: Thank you Sir. Good morning everyone. The total revenue for quarter one 2019 stood at Rs.243 Crores vis-à-vis 225 Crores year-on-year basis. There has been increase of 3.6% on a year-on-year basis. The EBITDA for the same period stood at 28.42 Crores against Rs.25.91 Crores. In percentage terms, it is 11.66% against 11.02%. The PBT for the company for the same quarter again is 22.38 Crores against 18.38 Crores that is 9.18% against 7.82%.

Brand wise performance: Company's revenue from Bigboss stood at 46% of its total sales, Missy at 12%, Force Go Wear at 6%, Force NXT at 3%; Regular economy brand at 37% and Champion contributed 1%.

Modern retail was slightly lower this quarter at 2% and exports stood at 5%. The company has been able to attain its efficiencies with overall cost; however the other expenses have gone up due to increase in advertisement expenses. Company had incurred 32.6 Crores in this quarter as against 22.15 Crores on year-on-year basis.

There has not been an increase in the overall annual budget of these expenses and the company wants to maintain the budget of 86 Crores advertisement.

That is all from my side. Now open the forum for question and answers.

Moderator: Thank you very much madam. Ladies and gentlemen we will now begin the question and answer session. We have our first question from the line of Himanshu Nayyar from Systematix Shares and Stocks. Please go ahead.

Himanshu Nayyar: Just wanted to understand our revenue number this time so what is the sort of volume growth we have witnessed and if you can highlight the impact of the lower growth on account of change in accounting because I believe now you might be reducing your incentives, commissions, etc., from the revenues right.

Shashi Agarwal: That is correct, Himanshu. INDAS 115 now wants selling and distribution expenses to be net of from the topline and then report the numbers. So definitely there has been an impact as you can see in the last year's Q-1 numbers, which we reported, has gone in marginal change there. So definitely I will start with your first question in terms of the volume, there has not been much growth in the volume as far as volume is concerned, but value wise, definitely the company had gained as far as ASP is concerned. So we have moved around about a 6% in ASP whereas there has been a little volume degrowth at the same to the tune of 3%. This has been majorly for the reason that number one we ask to shift our focus that we are only talked about creating the value for our sales going up the value chain as well. That has definitely helped us in terms of increasing the price, but volume as far as concerned there has been a conscious call taken by the management that now we are going to convert ourselves from push sales to creating a pull in the market. As Mr. Gupta highlighted that we want to focus on our retail base expansion ,we would go there reaching out to our retailers as much as possible. So over the period of time, you have seen that we have built over the debtors there has been a substantial increase of the debtor days over the last two, three quarters. So that is what something, we want to reduce and we also understand the constraint that our distributor face in terms of the working capital cycle, which is there in the books of accounts. So we are now also on the journey of splitting the brand at their end so it is probably our distributor is handling the co-brand, we would rationalize those brands and create a new distributors who will handle the other two brands for us now. So all these little small exercises, which we are doing at our end to cement and build the platform for a steady growth of the company. A non-linear growth for the company is what you would see as a part of our growth, it might continue doing so but we are sure about that this would definitely give us an phenomenal results over a long run.

Himanshu Nayyar: Very clear Madam. Second one was to understand the margins, I just wanted to understand whether margins here are like-to-like the sort of improvement that we are seeing and there is no impact as you said of shifting the incentives commissions to the revenue line I think that was there even in the base quarter or is there an impact because of that in the current quarter as well?

Shashi Agarwal: Whatever numbers we have seen currently for this particular results, which had been published they are all like-to-like. The numbers have been revised and regrouped, whereverthere is requirement in the accounting standard and those have been taking care of the current numbers are like-to-like basis comparable.

Himanshu Nayyar: My other question was on the working capital levels,as you said the focus has now come to reducing your debtors and our inventory as well had gone up very significantly last quarter. So can you just update on how has the working capital moved on an overall basis this quarter?

Shashi Agarwal: Himanshu, I will be very honest to you that a very substantial movement has happened this particular quarter in terms of gaining efficiency in the working capital expenses is concerned. The business, which we have embarked upon, the journey, which we have started here, would take some time for us to see the results. So we are like for example that the journey, which we are talking about stress in time, is very concrete and set, that it would help us reduce the working capital cycle both in terms of inventory and debtors. So there are certain parameters we need to treat further. We have to ensure that the entire channel starting from the distributors to retailers, the partner with us in the entire growth journey, they will have to understand the benefits that it is not only to the company, but the benefit start accruing at their end first. They have seen the results and then the company gets into larger channel. So it is not about just we who get the benefit, it is the entire channel partners who are getting the benefit in the entire process which we are about to implement, but yes to be cautious we are implementing this particular process in phased manner so we have started as a pilot one initially, we will see the results, understand the results and cost benefit analysis would be done and then slowly the process and the entire system that we implemented gradually across India so this would take some time and we are hopeful that as far as the working capital cycle is concerned we see some results by the financial year 2018-2019 year end will speak some good numbers there.

Himanshu Nayyar: Next was on the export side, I think you said that it is now 5% it is contributed 5% and historically it has been much higher so is this an intentional reduction and focus on exports or you think that will pick up as well going forward?

Shashi Agarwal: Right now we are doing a lot of exercises internally, to cement the platform to build a very strong foundation for the company to take a very good leap ahead of the entire industry at the similar level. So for that we definitely need to focus on one particular thing and the rest is little suffer Initially maybe for some quarters we will take that hit but for export we do not have to worry much about it as it is again a cyclical thing.Ifi it does not happen this quarters as the levels happen than there are other two quarters to catch up again so we are hopeful that we should be able to attain the regular numbers which we have been doing till now.

Himanshu Nayyar: Final question so in light of this new strategy mean that this new distribution model that you are looking at would you want to bring down your guidance growth guidance for the year as a whole?

Shashi Agarwal: Let me start up with my five year guidance which we have been talking about the 2000 Crores by 2023 I will still maintain the 2000 Crores guidance by 2023 so that does not come down. My guidance for the year is around the 12% overall basis and I said that if we get the consultant in place and we start little ahead I spoke in my last presence I talked about that 8% extra coming from that implementation of the process, but still we have started by the time we start implement it would at least we would have crossed two, three quarters here. So that might not approve as much as we talked about, the 12% is definitely we should be able to do that particular year.

Himanshu Nayyar: Got it madam. Thank you that are all from my side all the best.

Moderator: Thank you. We have our next question from the line of Shiv Kumar from Unifi Capital. Please go ahead.

Shiv Kumar: Thanks for the opportunity. Shashi can you rebuild this distribution based of things strategy and share more sense in terms of numbers so what are the number of distributors at the beginning of the year and what is the number you are looking at by the end of the year and how many of the distributors who will go offline will got actually impact the sales and to what extent?

Shashi Agarwal: Here I would say that Shiv we are not starting pan India basis, so currently we are putting at about 900 plus distributors with 95000 plus touch points that is at the retail level. So here when we are starting with the pilot, we are selecting two regions one of the strongest region which we have for ourselves, another would be just weakest region because we wanted to do the pilot in both the regions, and to have median kind of an understanding of the growth that might accrue to us. So for us the weakest region is south so we intent to start with south and north also again be the strongest region for us we will start when if the pilot in the northern region. And now expanding the the base in terms of the distributor is concerned so currently we are not very focus on distribution expansion, which we were there previously. It would grow automatically in its own cause of time because when you are expanding the retail base and that is the number, which we are looking at to grow phenomenally so the growth will normally in terms of two to three years' time. And if that expand phenomenally you have to introduce or you have to build up on your distributor as well. So as such the numbers which might go out which might get added that would only be very, clear once we conduct these two to pilot test runs and that would give us insight that what is the percentage of growth in terms of my number of outlets at retail level and distributor level would grow and I would be able to speak more clearly and more deeper number,once these test runs are completed.

Baidik Sarkar: Shashi is there a difference in the working capital cycle engagement should any of distributors were there?

Shashi Agarwal: Sorry Shiv I could not get your question.

Baidik Sarkar: I just wanted to check Shashi if the new distributor engaging will have different working capital profile.

Shashi Agarwal: No, my distributors with which we are working of are as big as when they have annual sales of more than 5 Crores per annum and as low as maybe 50 lakh per annum so definitely they would have different profile, their working capital requirements would differ, some deal with only one particular brand some might deal with multiple brands. So we are also trying to rationalize that and get in line in terms of whatever the working capital cycle supports in terms of payments to the company we are also trying to work at their end for this.

Baidik Sarkar: Yes so the point I was trying to get is after we done with the rationalization any perceptible implement in our receivable days that we have been expect in this financial year?

Shashi Agarwal: I think your voice is not very clear I will not able to get your question.

Baidik Sarkar: I am going to repeat it again after we done with this distributor realignment any perceptible change in our receivable days we can expect to see in FY2019?

Shashi Agarwal: Yes absolutely. Currently we are having 140 to 150 days of working capital cycle, and we are trying to bring down working capital cycle by another 10 to 20 days, Thats what we are looking at and it might the number might be higher but currently I would stick to 10 to 20 days of working capital.

Baidik Sarkar: As our engagement with the supply chain consultant started and in the form of that 12% guidance that you give is that inched on that or is that organic?

Shashi Agarwal: 12% is organic, which we are looking at because since we are not starting pan India at one go so we expect the other regular growth to come to us whereas we choose territory, which we would have given to them in terms of the south and the north would might see certain changes in terms of their growth numbers are concerned. So the engagement in terms of the pilot mode we are yet to decide on certain intergrity and then close it and start it by September end.

Baidik Sarkar: Do we have a sense of how much volume growth is lost this quarter as a result of distribution in the realignment?

Shashi Agarwal: Round about 3% is what we lost in terms of the volume is concerned. Value wise we gained around about more than 6%.

Shiv Kumar: Shashi what about the EBITDA margin guidance, we saw a steep drop in Q1 what is the number you are working with for FY2019.

Shashi Agarwal: Shiv there has not been a genuine drop I would say, so as I stated in my opening remarks that the advertisement expenses has been incurred in a certain number it was 32.6 Crores but overall number of 86 Crores remains there. So by the year end the EBITDA margin as we have been talking about around about it is 13% should be there, there should not be any decline there. I do not see any impact on my EBITDA margins and as Mr. Gupta also spoke about that, we want to ensure that the key parameters are improving.So EBIDTA is one of the parameter which we want to focus on.

Shiv Kumar: So 13% consolidated basis for the full year right EBITDA margin.

Shashi Agarwal: Yes 13% is overall guidance for the entire year numbers at EBITDA level.

Shiv Kumar: Thank you Shashi. That is it from my side.

Moderator: Thank you. We have next question from the line of Pratim Roy from Stewart and Mackertich. Please go ahead.

Pratim Roy: I have just one or two question that in last quarter you have mentioned that you are maintaining sufficient amount of inventory. So for that we can expect a very good number of EBTIDA level, EBITDA margin also, but I think is Madam that number is not in the board to 11.6% and your guideline is 13% for the whole year. So if you can please elaborate how you will maintain this 13% margin for the full year whereas there is a only 11.6% right now in this quarter Q1?

Shashi Agarwal: Raw material in terms of cotton,that we have been stocking to ensure that inflation in cotton prices do not catches up,, so if you look at our gross margin numbers, if you look at the cost of materials consumed this particular quarter we have been at 41.2% as compared to 47% and even at an annualized basis it was 43.76% for FY2017-2018, so the gain is very much there in terms of the cost of material consumed is there, but the number of 11.66% is coming down because of my advertisement expenditure got a little higher this quarter. This quarter we engaged with Chitrangada Singh who is taking as the brand ambassador for our brand Missy. The shoot was done we have to launch those shoots in both in the print, in the media, TV commercials had to be slotted because once we invest there we need to ensure that they are seeing by the public at large, otherwise no point in investing there. So this particular investment got a little inflated in this quarter which would be pull down as we go ahead in the quarter two and the quarter three and overall numbers would remain at 86 Crores which we have been talking about for advertisement hence these EBITDA numbers which is overall yearly basis will remain at 13% there should not be any challenge for that.

Pratim Roy: You said that their volume growth has declined by 3% is there any specific reason for that?

Shashi Agarwal: Sorry Mr. Roy if you can just repeat your question please.

Pratim Roy: Yes you have mentioned that in your opening comments, there is a degrowth in volume of 3% if you can throw some light on that why this is so is there any specific reason or market demand is not that great? What is the reason behind that?

Shashi Agarwal: At the industry level, if you really look at most of the company's at the peer levels the growth has been not high as it always was so definitely there is a decline in the market, overall market economies are concerned, but for Dollar specifically when I speak about myself this is something which we have consciously taking a decision that we will not get into any more push sales, we will ensure that at the distributor level we will only push the product once we see, he has the capacity to repay within the timeframe, within the credit period number one, number two he is not having this stock built up in his end also. We want to focus on retail channels now. We want to ensure that we are available at a bigger sell point, the point of sales rather than just pushing into the distributor level. Secondary level sales is of our prime focus for this we have to compromise with the dealers in terms of the growths are concerned for some time, we are ready to do that but we were not compromise any further on discounts in the schemes which we are offering to them so there we are trying to convert our self from a push model to creating a pull in the markets as Dollar brand.

Pratim Roy: I want to get what is the number of retailer right now the way to be the Dollar brand, in a distributor there is 900 and touch point 95000 as you mentioned what is the retailer numbers if you can give?

Shashi Agarwal: This number will grow and at what percentage we would want to grow,.Definitely we want to grow at a bigger number but what is the number that we can grow and how the distributor retail channel would grow in numbers in terms of the sales are concerned, these are the things I would only be able to tell you after we do a pilot run with the consultants in two of the areas which we have been talking about.

Pratim Roy: And any EBOs you are planning for come out at EBOs for Dollar?

Shashi Agarwal: We are working as we already talked about we are working on the kiosk model for Dollar Missy , Dollar Bigboss and Force NXT. So this is something we will see by the December quarter end for all these three and these would again be a tested pilot run with 5 each of these brands, so overall 15 kiosks we will be seeing in different cities in different malls.

Pratim Roy: Madam last question, what is the volume growth for Missy and volume growth for Force NXT?

Shashi Agarwal: I will just share the numbers with you. Give me a minute. Missy we are having about 7% growth so the volume has gone up for Missy by 10% and Force NXT has been at 15% to 20% .

Pratim Roy: Okay volume growth for Missy is 10% and Force NXT is 15% to 20%.

Shashi Agarwal: Right.

Pratim Roy: Thank you for the questions.

Moderator: Thank you. We have next question from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

Ashi Anand: Thanks for the opportunity. The first question is actually more industry led. There is the large unorganized market, I just wanted to understand how the shift from the unorganized to the organized taking place and the impact of GST on the same, or the slight background be one would have kind of expected of slightly higher growth for organized players given the size of the organized market and the whole premiumization and shift towards the claim. So if you can just vive your thoughts around how you see the shift?

Shashi Agarwal: Yes, so we all of us in the industry were expecting not only into our industry but most of the industries where the unorganized players was quite a big number or chunk in terms of percentage is concerned, we were expecting a huge shift from the unorganized sector to organized sector. All said and done but that huge gap or huge shift did not occur to the any of the industry so for sure there has been increase in terms of their shift is concerned so for us the regular brand, the regular economy brand was going in the single digit number but now has started growing in a double digit number for me. So definitely the growth is there but not as we expected there to be a big gap and we could get that big pie or jump into our kitty. So that is not happening but a gradual shift is definitely happening for sure.

Ashi Anand: Just to understand this a bit better in terms of the competitiveness of the large share of the unorganized sector, is this primarily lower pricing or is it lack of kind of distribution reach of key players what are the things that make people continue to buy so much from the unorganized segment?

Shashi Agarwal: See unorganized always since they were not getting into the formal task channels we were not maintaining a formal specific clients, they did not have a set of structure,they always have an advantage and as far as the cost is concerned. That was one of the competative edge for them but that disadvantage to there end was that their reach was limited. They could not go beyond the certain areas of limit are concerned, they could not have any time spread into a pan India basis which the bigger brands can do. So they have understood that it is an definitely a disadvantage to them so either they are partnering or channeling up with some of the organized players or they are looking forward in terms of organizing themselves in to a better manner so these shifts are happening and these this disadvantage, which they have in terms of the distribution network is concerned, they are understanding and they also understand their limitation in terms of the retails to the public at large would be there so the consumer at large would be there for them.

Ashi Anand: Madam, the second question would be on margins in the opening comments there was a comment the fact that we spent 500 Crores so far on building the Dollar brand we are now looking at leveraging the spends, say over the two, to three year timeframe should we expect A&P spends as a percentage of sales to come down or would be continue investing to the levels that we have?

Shashi Agarwal: A&P I would just talk about the advertisement here , advertisement traditionally for Dollar Industries had been 9% to linked to sales but now as the policy matter we have taken decision to stick to an amount of 86 Crores over the last two years so in financial year 2017-2018 our A&P spend was 86 Crores in absolute value this year's budget also stands at 86 Crores as an absolute value. So if we keep maintaining these numbers over a period of time you will see that A&P spend as the percentage of sales is coming down.

Ashi Anand: Thirdly on the distribution side we have undertaken five projects now do we have any spends at this point in time overall as and how long do we see the total shift happening in terms of the distribution and well is it a two three year timeframe how exactly are we looking at it or we waiting for the pilot results so before we take such a call?

Shashi Agarwal: Overall check which we have after discussions with the consultants are concerned this is what we are seeing as an six to eight quarters' timeframe we are looking at but yes more accurately in terms of with greater confidence and with data points I would only be able to talk once the pilot runs are completed, but overall I can say we should expect a six to eight months to see a major impact,gradual impact would definitely be flowing in, but a major impact would only flow in after six to eight quarters.

Moderator: Thank you. We have next question from the line of Nirav Savai from JM Financial. Please go ahead.

Nirav Savai: I have got two questions. One is on the development of new channels most of our revenue come from MBOs what are we doing to increase revenue from large format stores online where there is lot of growth coming in and second is new segments I mean there are lot of other retailers players like Page Industries who have been growing very fast in leisurewear so what are the steps which we are taking that eventually from Men's innerwear we can even diversify and growing other segments as well?

Shashi Agarwal: Nirav in the modern retail side large format etc., which we have been talking about we are continuing to be aggressive there as well, so we have already signed apart from the existing ones, which we have been talking about we have already added City Life, City Style V-Mart. We have just signed the agreement with them and very soon you will see the products being launched into these three stores well. As we talked about last time also that we want to be a 300-point of sales by the fiscal 2018-2019 currently we are round about 150 to 200 and we have 300 point of sales by FY2018-2019. So this will definitely continuing to grow for us and coming to the e-com side that is also giving us good results though it has its own nuances and backdrop as well but nonetheless we are working on that particular side as well and we are continue growing there also.

Nirav Savai: Are we targeting any other large retail formats where there is lot of footfalls and see when we go to a large format store like a Lifestyle or Shoppers Stop you see larger brands there in the innerwear space majorly dominated by Jockey and maybe Fruit of the loom and things like that are we planning to have our product premium brands on those large format retailers V-Mart is obviously one which we are talking about but that is more of semi-urban and rural space but the larger metro space and volumes are very high we have presence in central but any other plants that you are getting at tie-up with other large format retailers?

Shashi Agarwal: We are in talk with Pantaloons. We are also in talk with Central. We are hopeful that these should get materialized in some point of time within this fiscal year so yes these brands call in for a little more high in products which Force NXT the target for us to be there with them. We are hopeful that we should be there again but till the time the agreements are not signed and the deals are not closed we would just simply be little conservative in giving the numbers here.

Nirav Savai: Anything on the Force NXT side where you are planning to launch that in a bigger way, because right now?

Shashi Agarwal: See Force NXT again which we have been talking about in terms of the Leisure is going to be launched. Leisure products which we talking about is coming both in for Bigboss and Force NXT by December quarter. The kiosk is the one have been method where we would be increasing the visibility about the product and the brand for Force NXT, Central, Pantaloons which we talked about in terms of the large format stores so this is going to help us our increase our visibility and consumer reach there. Apart from the normal distribution networking which we are doing. So yes we are there but right now we do not want to take too many things at a time initially we want to increase the distribution the retail network reach and once we do that and we are sure others, the sales etc., would fall in line and would talk about themselves. See the results which would come out of the exercise, which we are going to enter, is going to be phenomenal. It is going to be mouth watering, but right now till the time we get into the pilot these numbers would not be there, we would not be able to talk about the numbers there.

Nirav Savai: That is it from my side. Thank you.

Moderator: Thank you. We have next question from the line of Punkaj Kumar from Kotak Securities. Please go ahead.

Punkaj Kumar: Good morning Madam. My question is related to the growth numbers for the quarter for each for this brands Bigboss, Missy, Ultra how are they each brands performed in the quarter and this the growth volume has been high here?

Shashi Agarwal: Sorry but the voice is absolutely not clear Sir if you can repeat that again.

Punkaj Kumar: My question pertains to the volume growth as well as value growth of each of these brands Bigboss, Missy, Ultra and Champion?

Shashi Agarwal: I will just talk about the value right now.

Punkaj Kumar: Yes the value terms you have given so in terms of volume how it has grown over last year?

Shashi Agarwal: Value definitely we had a growth but volume there was a decline Sir.

Punkaj Kumar: For all of these.

Shashi Agarwal: Not all of these. There was a mixed one. If declined in terms of the value is concerned Sir there would be a decline overall. I would say the Bigboss there was a little decline in terms of the volume is concerned that was the bigger brand for me and that impactt can be seen Sir and since this particular exercise, which we have been talking about is more into the Bigboss brand because most of my chunk comes from Bigboss and the regular one.

Punkaj Kumar: Secondly Madam we have maintained the guidance for the full year at 12% revenue growth so if I just work out for the rest of the quarters nine month are we expecting 20% sort of growth percentage in Q1 was flattish in the revenue?

Shashi Agarwal: Yes, so overall because this particular quarter, as I said that industry overall has been very, very aggressive in the numbers of the growth is concerned so the impact generally as a trend in the industry when there is an one particular quarter's growth little dull it picks up into the next following quarters so that is what a is for us in terms of the 12% growth as numbers are concerned.**Punkaj Kumar:** And so this segment will raise the growth in that case?

Shashi Agarwal: Sorry again I could not get the question?

Punkaj Kumar: Which all brands will drive the growth for rest of the nine months?

Shashi Agarwal: That would be again coming in from my Bigboss brand, Regular Ones, Missy, Force NXT these are the four brands, which we definitely expect the growth. The focus area for the company is Bigboss, Missy, Force NXT, these three brands have been the focus area for the company and the rest takes its own course. Champion not much of a focus is there and we are also very hopeful coming at the Leisure product category which we are going to launch in December to expect a good results there, so once we launch that there should be on the shelves by January 2019 and that particular quarter we should be see some results coming in forLeisure product both in Force NXT and Bigboss. Even so in Missy we have been launching new products like Caparies, ankle length, hand kurtis etc., so these are the products, which are also doing well in the market, and we expect a growth there also.

Punkaj Kumar: Thank you.

Moderator: Thank you. We have next question from the line of Himanshu Nair from Systematix Shares and Stocks. Please go ahead.

Himanshu Nair: Just a couple of follow-ups. Just wanted to understand your outlook on cotton prices and whether we have been able to take any price increase or any such prices increases planned in the near future?

Shashi Agarwal: Himanshu, there has been a quiet a growth in terms of the cotton pricing has been concerned over the last few quarters. There was a sharp increase in pricing and this is being majorly due to the exports to China. A lot of import had been done by Chinese companies there to stock up their cotton. Right now it is more or less moderate that we again foresee a rise in the cotton prices are concerned. So we are tracking that very, very closely and be carefully and trying to stock up and take that arbitrage as and when possible for us so that is something we have been consciously doing over the past also at the past years seen at the industry and will continue doing that. Impact in terms of the pricing of the cotton is concerned, we have been able to pass on the prices to the channel and consumers at an industry level we have been doing that going ahead, we will definitely if we see that there has been a phenomenal increase we will pass it to the channel or we will try to absorb it as possible will absorb in within the company but as a strategy for the company the overall ASP will continue rising because of increase in product range, increase in higher value product range like at Leisure etc. So that pricing of the company would continue growing.

Himanshu Nair: Second point was on the tax rate the number seems to have gone up quite sharply so what is the blended rate that we should take for the year as a whole.

Shashi Agarwal: Actually this year my company's depreciation was higher than the income tax that was the key reason the deferred tax has come in to picture at a higher rate and current tax is more or less around 34% with certain disallowances for my CSR activities and the other stuff the gratuity etc., is concerned so overall 36% is what I would recommend you to taking ,so the tax is concerned.

Himanshu Nair: Thank you so much.

Moderator: Thank you. We have next question from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

Ashi Anand: I just had a clarification the 30% of revenues that we give from the regular thing what exactly is this, does this include manufacturing for the brands are these brands that we own?

Shashi Agarwal: This regular category for me includes a lot of multiple brands here so when the company started initially way back in 1970 so it was more of a commodity at that point of time, but still being a commodity they were sold as a brand so if you really look at the Tier II, Tier III cities at certain places you will find something called Dollar Lehar, Dollar Commando, Dollar RKG, Winter Care, Dollar Kids Wear, Dollar Winter Wear so these are the basic products which were introduced at that point of time and since their price points are very, very at an economical range we have clubbed them into all into one to make economy range of product where we do not and they actually do not require much of an advertisement also, they sell at a price sensitive range into the Tier II, Tier III cities in mostly . So for me not much of a focus is required in terms of promoting these brands are concerned and as far as the manufacturing is concerned they are also manufactured in house depending on the product range at Tirupur site or in Kolkata under the entire captive job work production style which we do.

Ashi Anand: So all these are that branded sales that we do they may not be – they maybe more unorganized kind of branch of that segment these are all branded it is not any contract manufacturing that we did for the peers etc?

Shashi Agarwal: Yes so these are not the branded products and we are not doing it for any private label pure per se nothing the all under brand Dollar for me. They would entail my winter thermal wear they would entail kids wear which is a very small portion women wear very small portion again majorly this portion contains a regular vests and brief for men, some of the T-shirts and the Bermudas etc., for the men as well. There are more kind of an unorganized sale at a Tier II, Tier III cities competing the unorganized sector there.

Ashi Anand: Just the second question you have mentioned that the industry has degrown in volume terms just to understand any specific source of weakness in growth?

Shashi Agarwal: That is something even we are surprised that right at this kind of numbers have been coming from across the industry maybe that this particular quarter there is a lot of they have already talked about it last quarter that was Q4 at that financial year 2017-2018 and we are not able to absorb any further or the demand that see because demand at the consumer level going down seems little logical for us because this is the stated product, you require on a day today basis, it is your daily need, then again if the consumer demand has gone down in this quarter that is bound to come up in the next quarter because that is something which we cannot do away with. So at times it has seen in the industry that the demand at the consumer levels might fluctuate from a quarter to another quarter, it might so happen but the demand goes out completely we have never seen that happening.Fluctuating demand will keep continously happening in this industry.

Ashi Anand: I just have some last question on the regular segment at the EBITDA level because there is no A&P spends is there a large difference in terms of EBITDA margins regular versus other brands so because of lack of A&P spends are they similar?

Shashi Agarwal: There is a difference because the MRP pricing which we command from these brands are much lower the multiple as to say cost to sales definitely gets slower here in this particular category so it is 8% to 10% on an average keeps fluctuating there, we have a Bigboss gives me 10% to 12% on an overall basis so that little difference is definitely there.

Ashi Anand: Thanks a lot for the clarification.

Moderator: Thank you sir. We have next question from the line of Pratim Roy from Stewart and Mackertich. Please go ahead.

Pratim Roy: There is another followup question that you have just been mentioned that your leisurewear growth, leisurewear business you are going to launch in December so if you can throw some light how you are planning to this business and is there any tie-up that you are planning for or what is the business strategy if you can explain on that?

Shashi Agarwal: We already are in that particular category. I would not say that we are not there so Force GO wear for me is more of an casual wear brand where we have these Bermudas, Track Pants, T-shirts, Gymvest etc., already there but what we are right now doing is we are introducing these products into their respective brands of Bigboss, Force NXT, Missy etc., so these would be more organized now, with better designs, more competitive designs, at good pricing so here once we are successful in launching these brands we will do away with Force GO wear and for us the launch model would again be the same thing as we have been growing traditionally it would be initially going through the MBO route and being present in the large format stores and the e-com platform along with our rest of our products. So it would be very similar to the business trial, which we have been doing.

Pratim Roy: It was still like Force GO only.

Shashi Agarwal: Yes it would be Force GO but with a better quality and design.

Pratim Roy: We have recently tie-up with V-Mart right for this purpose?

Shashi Agarwal: Sorry.

Pratim Roy: You have recently tied-up with V-Mart to launch those products in December will get that product in V-Mart right?

Shashi Agarwal: V-Mart is we had tied-up with V-Mart for my Bigboss brand so that will not only have the Leisure,it will also have my other regular products like vest, briefs etc. so I would also want to place my Leisure there, for all these stores where i have my regular product or briefs, vest and trunk I would wanted to have my Leisure also being present there in that particular rack.

Pratim Roy: And what is the margin expected any guidelines from this product?

Shashi Agarwal: Right now I would say it would be very similar because we are not doing any expenditure in terms of the A&P is concerned to launch these products in a very big way so it would be very similar to it would fall in the same category of Bigboss or the Force NXT is concerned. To scale up once we want to see the response of the consumers and probably thereafter we would want to increase the margins there. So right now it would be in the similar range of 10% to 12% for Bigboss 15% to 16% for the Force NXT range.

Pratim Roy: Thank you Madam.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Over to you Madam!

Shashi Agarwal: Thank you everyone for joining the call. I hope i have been able to answer to all your questions to your satisfaction and we look forward again to joining in next quarter for the earnings call. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference call. Thank you all for joining with us. You may now disconnect your lines.