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Conference Call Transcript

Dollar Industries

Q2FY19 Results

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Corporate Participants

Mr. Vinod Gupta
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Senior Vice President – Corporate Strategy & Investor

Mr. Ankit Gupta
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Questions and Answers

Moderator: Ladies and gentlemen good day and welcome to the Dollar Industries Q2 and H1 FY2019 Earnings Conference Call, hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal for an operator by pressing "*"then "0" on your touchtone phone. I now hand the conference over to Mr. Nihal Mahesh Jham from Edelweiss Securities. Thank you and over to you!

Nihal Mahesh Jham: Thank you Ali. On behalf of Edelweiss I would like to welcome everyone for the Q2 FY2019 Concall of Dollar Industries. I would like to hand over the call to Mr. Vinod Gupta, Managing Director for his opening remarks. Over to you Sir!

Vinod Gupta: Good afternoon and warm welcome to everybody on this earning call of Dollar Industries Limited for Q2 2018-2019 and also Happy Diwali Greetings to all of you. As we all see the economy has been recovering from the dent that followed the abrupt demonetization and the introduction of GST. The nation has completed one year since implementation of GST and there has been hurdles and roadblocks for the newly paved road of GST. However, we are sure that we will now see the benefits of the same in the near future.

The consumer spread has increased in the second quarter pulling up the demand of our products in the market. This increase in demand has been reflected in the turnover of the company as well; however, our focus was mainly on improving the working capital cycle of the company and put a curb on the increasing debtors. The continous efforts of realizing the debtors by rationalizing the distributors according to their working capital availability has started showing results on working capital cycle but at the same time such tightening has its own impact on the sales growth side but we have taken a conscious stand and we expect that by the end of this fiscal year we are sure to see some more benefits flowing in from the exercise.

I am happy to share with you that the company has been awarded Company of the Year in textile segment eastern zone by Zee Business in Dare to Dream Award segment. I also want to share that joint venture company Pepe Jeans Innerfashion Private Limited has launched its product in Southern India in cities like Chennai, Bengaluru, Hyderabad, in trade channels and Pepe stores. Very soon the product will also be made available on central stores and online platforms. We will start covering the whole of Southern India and gradually we will move on to the western part of the country.

There are more than 35 styles covering in men's innerwear and athleisure. Dollar Industries Limited is also set to introduce the athleisure under the brand name of Bigboss and Force NXT in the market in December. The product will help increase overall ASP of the company and also have a positive impact on the bottomline.

The company is also set to launch its kiosk outlets for brand Missy and Force NXT in the malls from December onwards. These kiosks will not only act as a point of sales but also help in improving the customer connect, consumer awareness and branding. The company has added 400 of PoS in LFS and currently has more than 700 number of PoS. The agreement has also been entered in with India Familymart and City Live and soon we will be adding another 500 PoS by the end of this fiscal. The modern retail and e-commerce is being worked upon through digital marketing and increased visibility of the brands.

The brand Missy is growing on an average of 30% and the current branding and advertisement on Missy should help speed up the growth further. Bigboss is growing at a stable rate of 10.5% and there has been spur in the growth of economy segment as well. This can be well attributed to the shift of consumers from unorganised to organised sector.

However, as the company is working on alternative marketing strategy for the brand NXT the growth for the brand will be slow for the next two quarters nevertheless, I must emphasize here that we are working very aggressively and diligently on NXT and full impact of such impact will be visible in 2019-2020 when we implement our new marketing strategy in full force.

This is all from my side. I shall now hand over to Sashi to talk to you about the financial performance of the company in this quarter.

Sashi Agarwal: Thank you Sir. Good afternoon everyone. The financial outlook for the company the company achieved total revenue of Rs.243 Crores for the quarter as compared to Rs.196.5 Crores in Q2 2018. This has been a growth of 23.64%. The EBITDA for the company for the Q2 2019 stood at 36.43 Crores that is 14.99% as against 30.04 Crores which was at 15.29%. However, the PBT has shown a better growth. The PBT stood at 30.19 Crores that is 12.42 Crores vis-à-vis 22.48 Crores which was 11.44%.

As already highlighted by Mr. Gupta, the company has made some improvements in terms of the working capital cycle is concerned. The debtors as on September 30, 2018 stood at 267.97 Crores, which is approximately 100 days as compared to 106 days as on June 30, 2018.

The company has been working on reducing the debtor days and it has got it down by 5 days. Inventory stood at 319 Crores that is 96 days. This too has been reduced by 10 days as compared to June 30, 2018. The creditors stood at 107.76 Crores at 35 days as compared to 46 days as on June 30, 2018. The total working capital cycle stands at 160 days approximately as compared to 170 days as on June 30, 2018 again.

The company will continue its endeavor to reduce the debtor days by working with its distribution network and we are sure that we will be able to further trim out working capital cycle.

Now moving on to the revenue breakup. The total percentage contributed by each of the brands stands as below:

Bigboss stands at 44%, Champion at 0.50%, Force Go Wear 6%, Force NXT 3%, Missy 8%,Economy range of products stands at 36.5%, Thermal at 2%.

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

Moderator: Thank you. 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: Good afternoon everyone. Congrats on a decent set of numbers. Just to understand the P&L a bit better. Could you start by sharing the volume growth number for the quarter and specific growth numbers for Force NXT and Missy this time?

Sashi Agarwal: Volume growth for the quarter was 23.36%. Last quarter on a year-on-year basis, we had 3.35 Crores pieces and this time we have 4.13 Crores pieces. That stands at overall basis. Now coming on to the Missy, Missy on a half year ended basis, we have done a business of INR37.84 Crores with an ASP of Rs.83.42 and if I have to look at the number of pieces which we are talking about here on a half-year basis would be 45 lakh pieces. Force NXT we have been a little slow as we have already highlighted by Mr. Gupta that we are working on organizing our distribution network and marketing methodology with Force NXT hence we have been a little slow here. For us the number here for Force NXT has been 12 Crores for the half-year ended with 11 lakhs pieces being sold.

Himanshu Nayyar: At an ASP of Madam?

Sashi Agarwal: That would be Rs.109.

Himanshu Nayyar: So second thing, I believe, we have brought down our A&P spends significantly from last quarter which you had obviously guided for, so just wanted to have some outlook on that whether we will be in line with our budgeted number for FY2019 or should there be any changed plan to that?

Sashi Agarwal: Himanshu, there will not be any change in terms of my annual budget for the A&P is concerned, that would be at 86 Crores advertisement. So at times when we are incurring the expenditure there are certain quarters, which are more focused on, heavy as far as the advertisements are concerned. So Q1 and Q3 are the most advertisement heavy quarters for us. Q2 and Q4 are the lighter ones, but definitely the budget of 86 Crores still remains here for an annual basis. We will try and fit into that domain.

Himanshu Nayyar: Next was on the working capital cycle where you have highlighted a decent improvements of 6 days and 10 days in inventory and debtors but creditors have reduced by 11 days, so that takes away most of the benefit that we saw. So what really has led to this reduction in creditor days Madam?

Sashi Agarwal: The creditors because we were trying to work on to the cash discount getting from, if you will see the cotton cost of material consumed had also come down for us, specific into this quarter. So we also try and get most of the benefits because of the higher pricesbeing the in the market, so if we pay upfront we get a better discount, so precisely then the creditor days will also come down for us.

Himanshu Nayyar: So net-net I think we do not see too much of an improvement at least for FY2019 if that is the case?

Sashi Agarwal: I would say that this 10 days definitely we have to first of all the target is to try and maintain this 10 days where we have come down now and to further take it down by another five days.

Himanshu Nayyar: That is the target and final question is based on the first half performance and whatever we have seen so far of the festive season, I mean, would you guys want to update your guidance both on revenue and profitability?

Sashi Agarwal: I will still maintain my stand in terms of guidance is concerned that 15% EBITDA we are targeting by next two years and next five years we are definitely want to grow on an average CAGR of 15%. We still maintain that.

Himanshu Nayyar: Great Madam. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Shiv Kumar from Unifi Capital. Please go ahead.

Shiv Kumar: Thank you for the opportunity. So you are saying that the improvement of about 10 days, which we got to see over the quarter in the working capital, was solely due to the distributor realignment that you have undertaken?

Sashi Agarwal: Quite yes some of them is attributed to the distribution realignment which we have been talking about from the last quarter and some is definitely we are also ensuring in terms of restricting our sales to the distributors who are not paying us in time, so definitely I would say that yes we are working hard towards the channel distribution network to get everything in line.

Shiv Kumar: Sashi can you share some more granular details as to what exactly is the realignment process that you have undertaken, what are the ranges, what are the number of distributors you are working with, and when you say you are going to have a more leaner structure going forward how are the distributors actually receiving that news from you because obviously you will end up and say that you are going to split the brands at the distributor levels obviously there will be some resistance from the whole timers, can you share more granular data about your experience so far in the north and southern regions?

Sashi Agarwal: Southern very honestly its just kind of 7% to 8% contribution coming from southern part, so southern is not that bigger challenge, definitely northern which is the maximum contributing to our sales is quite better challenged. So supposingly if one of my distributors who is one of the and especially in Rajasthan very high end distributor dealing in all of my three four brands that is Missy, Thermal, Bigboss, Force NXT very high turnover contributed by him when I say high none of my counter or distributors go beyond 2% of our sales, but then again that is one of the high selling distributor, so with him I had to literally again he did not have that kind of a working capital cycle into his books of accounts, he could not stand the entire turnover which he really is giving to the company because it could not be substantiated by his working capital cycle in the books of accounts. So it was difficult for us to really convince him that we need to break certain brands from him and then get a parallel distributor along with him so yes these are the challenges which you are talking about is very, very difficult to work on, but nonetheless it also forces them to understand the pain which the company is going through and they have to so the resort, which they have to get into is either they can get into the channel financing with the company or they get some kind of a finance facility from the banks or their other channels which would help them to get their working capital cycle up to the mark to this turnover else they have to loosethat kind of share as the sales is is concerned. And furthermore is we also educate them in focusing and increasing their retail base. So once their sales team and their retail basis increase it also helps them to liquidate their existing stocks and get the money into their books. So this lot of other things, which you are trying to educate them certain things in terms of that when you are having your cash sales there are certain amount which GST also permits you where you can have those cash deposited stuff like that so educating them into terms of the statutory requirements are concerned, helping them increase their retail base is concerned, and also helping them to get the finances into their books of accounts is what we are working with them.

Shiv Kumar: Realistically speaking if this project which you have kind of kick-started in Q2 if that was to take off as along the planned lines by FY2019 what are the debtor days you are looking at from the current 100 days?

Sashi Agarwal: This project did not kick start in Q2. This was the project we were working on from January. First we were working with only channel financing part. We were not very strict with them in terms of the sales were concerned, we were just educating them that they should get into channel financing mode which they did not accept. I would say January February onwards when we realised that the channel financing education is not working for them is then when we really started getting a little stricter with them in terms of realignment of the distributors and the brands are concerned. Precisely the reason Q1 went bad for us the results have started coming in from the Q2 and we hope to get another five to seven days reduction in debtor days in the next two quarters.

Shiv Kumar: But Sashi when you undertake such an exercise isn’t there a real threat out there that your competition might try to revive your best distributors sighting the stricter stand that you are taking and maybe you might lose some of your best performing distributors, arn’t you facing that kind of a risk on the ground?

Sashi Agarwal: This is kind of risk that we will always see there Shiv, but again, if we really look at the entire markets scenario, most of them are having the stricter terms, for example Page Industries, they are cash and carry, but even others when we talk about the competitors on the ground, apart barring one or two I would say most of them are very strict with their debtor days, this GST and demonetisation had compelled us to loosen our debtor days are concerned, the terms of credit were concerned, but now I would say that barring one or two companies rest are getting in line in terms of realigning their debtors because this exercise has to be taken otherwise all of your sales will be sitting down into your debtors, most of your sales will be sitting down in the debtors.

Shiv Kumar: Sashi now that Q2 has seen a strong revenue growth of 24% and we see that the festive season this year has extended into Q3 do you expect a similar bump up in revenues in Q3 or are you expecting a more tepid Q3?

Sashi Agarwal: Shiv, I would say that Q3 is very, very winter dependent. The climatic conditions are depended because most of the sales of thermal happens in Q3. We have produced a lot of thermals and we have stocked them up and the expectation is that if we have a good winter the sales of thermals will go up, very, very dependent on the climatic conditions and unpredictable, so very difficult to make a comment on specific being on Q3 but overall I still maintain that a 15% CAGR is what we are looking at on a five year basis at the moment.

Shiv Kumar: So for FY2019 you are working with a revenue growth of 15% with an EBITDA margin again at those levels, 15%, right?

Sashi Agarwal: 15% we are seeing to be coming to us in the next two years, not immediately in this 2019.

Shiv Kumar: But this quarter has been good in terms of EBITDA margin 15%?

Sashi Agarwal: Yes, absolutely. See I completely understand that seeing at 15% we expect it to be maintained there, but lot of expenses unforeseen and at times like we are doing a lot of activities in mergers and acquisition trying to work on to them, a lot of expenditures which we do not account for or budget for might come in, so I would still maintain that 13.5% to 14% is what we are looking at currently, but if we get better one definitely. I would not promise a 15% this fiscal. If we get it, it is very good, but 14% is our target right now.

Shiv Kumar: Can you share the progress of Pepe Jeans JV?

Sashi Agarwal: Sure, we have already started the production of Pepe Jeans. The product has been launched in Southern India. That is Hyderabad, Chennai and Bengaluru. Now the plan is to penetrate the entire Southern India. We have the products available on the trade channels and the Pepe stores four or five Pepe stores in those cities, which we have been speaking about. Gradually all the other Pepe stores would be covered there. The plan is to again to set ourselves into the central stores to start with, you will find the Pepe jeans products inner wear and the athleisure product there. Online platform again we are working on, very soon we will be there on the online platforms as well. All in all we have launched 37 product style that is in mens innerwear and mens athleisure, so once we covered the southern part then we plan to roll it out in western India, though the plan was to start these rollouts in July, which has come down to October it has been delayed, but nonetheless we just running a quarter short, so definitely my revenue has to be adjusted accordingly for this fiscal end.

Shiv Kumar: How are exports this quarter?

Sashi Agarwal: Exports are slightly down, this quarter we have achieved around about 7% approximately I would say exports as compared to 9% which we usually do on a yearly basis, hopefully we should see some growth happening in the third and the fourth quarter in exports.

Shiv Kumar: Sashi, I missed the volume growth, which you are giving segment wise, overall what would be the volume growth this quarter?

Sashi Agarwal: So what I will do is I will share the, year to date numbers in volume is concerned. Bigboss it has been more or less standard there hasn't been a much of in volume growth here. Champion it was a little of a degrowth because the total brand itself as we have told that we have not been focusing on it that is into our radar, we need to start working on the child's brand as well, so there has been some degrowth in terms of the volume is concerned. Force Gowear in volume terms we had 100% growth there. Force NXT a slight kind of a degrowth may be around about 5% degrowth in terms of the volume is concerned because of our readjusting the entire marketing strategy for the brand, so slight 5% degrowth there. Missy, there has been a 20% growth, Regular we have really economy range of branded, we have really seen a good jump in terms of the volume is concerned 12% growth there. Socks we have some 40% growth and in Thermals definitely since it is an nonseasonal stuff, if you compare this year we have a slight degrowth, because most of sales would start happening in October itself.

Shiv Kumar: Sashi what is the second brand you shared after Bigboss?

Sashi Agarwal: Champion that is a kid's brand.

Moderator: Thank you. Next question is from Pratim Roy from Stewart & Mackertich. Please go ahead.

Pratim Roy: Happy Diwali and congratulation for the good set of number. Madam I have just two to three questions that how much you have already spent on A&P expenses, out of your 86 Crores estimate for this year?

Sashi Agarwal: We have already spent Rs.52 Crores out of Rs.86 Crores for the half-year.

Pratim Roy: How much Madam sorry?

Sashi Agarwal: Rs.52 Crores for half-year ended September 30, 2018.

Pratim Roy: My next question is that Madam, October is done and November is almost and a half, so what is the expectation on the winter products, what is the response in currently going into the market, so if you can give some light on that?

Sashi Agarwal: Primary sales would definitely be there in October and

November because people have to fill in their shelves, we will also pass into the retailers, but actual would only come, the repeat orders would only come when these secondary sales are taking off and secondary sales would not take off before end of November and that is only when we come to know by end of the quarter that how the entire sales for thermal stands, it is too early for us to say because for us right now it has been kind of an business as usual in terms of thermals are concerned because October, November the primary filling starts happening and they take the first slot. The second repeat order which we really depend on and we say the good sales has happened, which does not happen before November end.

Pratim Roy: Then next question is Madam, if you consider the year-on-year corresponding quarter the other expenses has gone up significantly almost 22%, standard Rs.45 Crores somewhere around, so what is the basic reason behind that if you can explain?

Sashi Agarwal: Talking about the quarter or you talking about?

Pratim Roy: Year-on-year first time quarter last quarter to this quarter?

Sashi Agarwal: So other expenses 18% reduction, so you are taking the subcontracting charges and manufacturing everything etc., there. So my subcontracting charges have increased a little there, on a quarterly basis, because in this particular quarter Thermals were little much more we have produced a little more stock in terms of the Thermals are concerned as compared to the last quarter on year-to-year basis, so my subcontracting charges for this particular quarter is little high and that is precisely may be the reason why you are having that increase in the numbers.

Pratim Roy: Okay, Madam and just last question, if you can explain what is the strategy that you are taking place to build your Force NXT brand in the next level, so that by 2020 that can give you ample amount of boost in your revenue as well as bottomline because that brand is the main focus because that brand contributes higher EBITDA margin also, so if you can throw some light on the strategy for the Force NXT in the coming two years and Missy also?

Sashi Agarwal: Definitely I will speak about Force NXT and Missy both, so Force NXT if you really look we have been facing as a premium brand all this while and most of them we were trying to make them available at a premium MBOs retail point, having some outlets in the large format store, relying on the online platform etc. So basically not much of a focus was given at the very trade channels as well so we were trying to play position in the premium brand. So it really takes time, because the Force NXT, we are treating this as a Dollar brand, we are keeping it separate. So people are not aware that where the brand is coming from, so that particular visibility to the consumer connect etc., we need to give and precisely the reason we are starting with kiosk model with Force NXT brand which you will see in the center of the mall most of the majors, to start with we are going five kiosks from December or January onwards. So gradually we will increase those numbers. This will create an consumer connect visibility and branding for Force NXT and side-by-side we will then started to spread it across pan India, because currently we are not present pan India especially the western part is completely untapped for us as far as Force NXT is concerned and in these two years, we are trying to build as much the consumer connect visibility and branding is concerned for the Force NXT, but in the parallelly we are going to work with the distributors to ensure that the reach to the retailers at the MBO level is also increased.

Pratim Roy: And Madam how about Missy?

Sashi Agarwal: Missy similarkind, so Missy we are very much on track I would say 30%, 33% growth we are seeing on an average for brand Missy. Here the strategy is more about getting into expanding the product lines, so lingerie I have been talking about all this while that we need to expand, we need to get something there though the work has been carried out in-house in terms of designing and getting the right product, but our focus is moreon getting something inorganically in terms of brazier and the lingerie section is concerned that we are extensively working on, but unfortunately we have not been able to crack anything or share some news with the market that something has materialized, but nonetheless the company is very much focused looking at what possibly can be done in terms of the M&A is concerned.

Moderator: Thank you. The next question is from Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna Jhunjhunwala: Thank you for the opportunity. Good set of results Madam. I just like to understand the revenue growth in terms of your base quarter, so last year Q2 was bad quarter because of GST implementation so if you want to look at the real growth and segregate into the base effect as well how should we look at the results?

Sashi Agarwal: Agreed Prerna that yes last quarter on a year-to-year comparison if you really look on, it has been comparatively lower because of the GST implementation so lot of hurdles people was not very sure how to react to this and currently as I would rather say that lower base is definitely contributing, but definitely I would say that because even in the June 30 quarter if you look at 2018, the first quarter of this particular year, we were actually holding back our sales, we did not have much of a growth, the numbers of kind of little muted, the growth was muted, so what are the sales we are withholding from our debtors in terms of the distribution channels, trying to re-align our debtor days etc., that has actually held us here as well and overall I would say the market has been picking up if you will look at the entire consumer segment. People have been picking up in terms of the economy bouncing back towards normalcy and we expect that this growth should accrue to us going forward as well.

Prerna Jhunjhunwala: Madam, what re the factors that we are actually looking at when we track this consumer behavior whether they are actually better, do we look at on a month-on-month basis, like this month is better than last month or we actually see it on a year-on-year basis to understand okay in this period last year was bad, this time it is good and all that. I would like to understand how do you segregate that?

Sashi Agarwal: For us you know in the hosiery segment we have specifics of quarter so it is very difficult to compare quarter-on-quarter for this simple reason because Q4 is always the best quarter for us, again Q3 is very, very dependent on with climatic conditions, thermal sales are more there, Q2 has its own challenge in terms of, generally the Q2s are not that good. Q1 is better than the most of them so it becomes like quarter-on-quarter comparison definitely is not the right way for us to look at rather than year-on-year quarterly comparison is better for us to look at that is how we always do.

Prerna Jhunjhunwala: Okay, and in terms of profitability you have done around 15% margins that largely because of other expenses being lower, on an annual basis what should we look at in terms of your profitability for the year or something like that that?

Sashi Agarwal: Around 14% Prerna.

Prerna Jhunjhunwala: Around 14%. Thank you Madam. I will get back to you on further questions.

Moderator: Thank you. The next question is from Andrey Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam: Thank you and congratulations for a good set of numbers. I just want to first ask a few basic questions why has there been increase in inventory and if you could share with us what percentage of amount of your receivables are more than six months old?

Sashi Agarwal: Inventory definitely in absolute values we look at, but there has been increase because of standing at Rs.310 Crores, but if I have to breakdown my inventory in totality into raw material and finished goods, the percentage would be 40% would be raw material, 60% with finished goods. For the last two, three quarters, my raw material was running at a lot high that was ranging from 50% to 45% in last few couple of quarters.

Andrey Purushottam: What was running high at 50%?

Sashi Agarwal: Raw material inventory.

Andrey Purushottam: Okay.

Sashi Agarwal: It got down to 40% of my total inventory now.

Andrey Purushottam: Right.

Sashi Agarwal: Finished good, you could see which is at 60% is mostly because we have to stock up the thermals, this is the season as I also just said sometime back that this time we have produced more of thermals by the end of September rather than pushing it for October, so that is the reason we have high inventory of thermals stocked up to be sent it to the market from October going forward.

Andrey Purushottam: Okay could you tell me about the receivables?

Sashi Agarwal: Receivable I would say more than six months still would be some numbers here, I do not have currently the breakup may be I can get one to one to you on this breakup is concerned, it is not having breakup right now and definitely there is some amount of more than six months, small some amount is there, I need to checkup and give you exact number.

Andrey Purushottam: Okay in terms of gross margin how has the increased given the fact that cotton price have been also on the ups could it give some light us through how have your gross margin increased and whether this gross margin increase is sustainable over the next few quarters?

Sashi Agarwal: Couple of reasons, which has attributed to increase in gross margins one of them has increase in ASP. I have an ASP increase of 8% as compared to the last half year ended 2018 so my ASP overall at the company level stood at Rs.49.5 for H1 2018 and H1 2019 I was stand at Rs.53.32, two, three reasons which is contributing that we are getting into the increasing my product ranges, product prices, which are attributing to the higher price rate and whatever increase cotton price had been there we had taken the impact simultaneously with increase in our products as well. So any increase or impact in terms of my cotton prices are concerned, they are always mitigated by increasing the product prices simultaneously number one.No. 2 we trying to rationalize as I told you raw material inventory has come down from 50% to 45% of my total inventory, so if I am getting down my inventory my gross margin would definitely get impacted.

Andrey Purushottam: Yes I was asking about the reason for increasing in gross margins and you are shared with us that one reason is increased in ASP by about 8%, increase in the product range and ability to pass on increasing in cotton prices to the consumer, you were elaborating on your some other reason?

Sashi Agarwal: One more is that we have actually started rationalized taking raw material stocking of the raw material is concerned that is one of the reasons again, 40% of my total inventory contributes my raw material and we have lot of cotton and yarn in December, March and June quarters because of the increase and we have depicted as increased in prices, which we will be talking about last in the previous call as well so those benefit have accrued to us in totality.

Moderator: Thank you. The next question is from the line of Rahul Jagwani from SKS Capital. Please go ahead.

Rahul Jagwani: I just want your thoughts on inorganic expansion I think on previous question and have spoken about something in the western market is that right?

Sashi Agarwal: Yes that is correct. We had gone ahead lot of discussion around it 60% to 70% moved ahead, but after a point of time we did not find some merit in that transaction, so we have stopped looking at the time.

Rahul Jagwani: Okay and which segment was that any specific?

Sashi Agarwal: It would not be right for me to comment in the call right now.

Rahul Jagwani: Thanks.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: Thanks for taking my question. This is related to the volume for the quarter, can you help us what is the volume in the quarter and how is it. My question is related to volume for the quarter so if you can help us with that number and the growth?

Sashi Agarwal: Volume we have done 4 Crores pieces in this particular quarter as compared to 3 Crores pieces into the previous quarter year-on-year basis.

Pankaj Kumar: Okay and which segment grew faster in the quarter specifically to the quarter?

Sashi Agarwal: In terms of volume?

Pankaj Kumar: Volume, yes.

Sashi Agarwal: Volume definitely Missy, economy segment has grown faster. Overall if I have to look at six months basis I really got a very good jump in terms of 19% to 20% in terms of my economy segment . So a very good growth contributed by Missy, my economy range of products, Big Boss, definitely these really helped me grow fast.

Pankaj Kumar: Madam, looking at the quarterly performance are you still maintaining at 12% revenue guidance for the full year or it will be a little higher?

Sashi Agarwal: I will maintain that 15% on a five-year basis, so it might so happen that we do 13% or 14% definitely would want to achieve the 15% target, which we have been conducive. I would still maintain a kind of a lower guidance and then outperform that rather than give a high expectation.

Pankaj Kumar: Thank you Madam.

Moderator: Thank you. The next question is from Pritam Roy from Stewart & Mackertich. Please go ahead.

Pritam Roy: Thank you for the opportunity again. I just am having one question what is the brand name of the product that you are going to launch under the Pepe Jeans and Dollar joint venture to maintain the brand name. What is the brand name?

Sashi Agarwal: It is under the brand name Pepe Jeans itself. We do not have Dollar as a brand anywhere in that particular product. This joint venture is essentially about promoting Pepe Jeans product in the market, but the company, which is formed, which is doing the entire job of this particular selling and distribution of the particular product is the joint venture between Pepe Jeans Europe and Dollar Industry.

Pritam Roy: The product is in Pepe.

Sashi Agarwal: Products are sold in the Pepe Jeans brand.

Pritam Roy: Thank you. Best of luck for the quarter.

Moderator: Thank you. The next question is from Harsh Thakkar from Anand Rathi. Please go ahead.

Harsh Thakkar: Thank you for the opportunity. May I know the capex number for H1 FY2019 and your target for year end FY2020?

Sashi Agarwal: It is round about 7 Crores is what we have I would say capital work-in-progress is there for the half-year ended 2018 and not more than another 2 or 3 Crores should go in there.

Harsh Thakkar: What is the average interest cost?

Sashi Agarwal: 8.5%

Baidik Sarkar: Thank you. I was asking about the average interest cost and debt level you are targeting for FY2019-2020?

Sashi Agarwal: Average interest cost is 8.5% approximately I would say and debt we would target at 150 Crores of whatever working capital, which we are hovering around, we, should be around that only. That is what we are looking at and some long-term debts which is around another 40 Crores should be there, maybe just, you can take 150 Crores to 200 Crores as my total debt.

Harsh Thakkar: Thank you.

Moderator: Thank you. The next question is from the line of Andrey Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam: Just a followup question. On this initiative that you are taking with your consultant to streamline supply chain and distribution chain, I got some idea of what you meant by you basically have tried to increase the retail base, you have tried to assess the working capital capability of your distributors and realign them to educate them on statutory requirements and also working on the finances being in the books so far. Now what else have you done and could you give us some idea as to if you say the increase is retail base, by how much the retail base has been done. Can you give some granular steps suppose to have actually done in the distribution channel?

Sashi Agarwal: Just to correct, one thing here that we have not yet started working with the consultant. It is about to happen in may be this would start in the next quarter I would say. We are working in terms of I think at a very granule level, discussing with them, sudden changes which they are expecting the business to make, operational challenges for example, I would say they would want us to generally dispatch in terms of the boxes of a particular pack size, which is passed on to the distributors, they might want to break that parcel size. Which we have as an operational,which we find it challenging to do that. So these are certain miniscule levels of discussion we are engaging with the consultants at the moment, so once we get in we shake hands, there are complete consent and in terms of if you are on the same page to take the entire operation forward, but at the company level we have as we discussed we have taken certain initiatives in terms of helping our distributors to streamline, so one small example is that we have already introduced DML provided tab to the salesmen who take the orders on to the tab which is again directed across to the distributor, to the company at the same time we understand what is their inventory level, so these are the small, small steps which we are trying to take with them to understand what is there at the secondary level, trying to understand the secondary retail channel. That is the step which the company is taking, which would be more accurate and would be kind of worked upon extensively once we shake hands with the consultants.

Andrey Purushottam: So, why has it been taking so long Madam because we have been talking about this consultant being working and I think there has been a fair amount of delay and my other concern would be that if the consultants really stop working from next quarter there could be a lot of disruption in the distribution chain, right because whenever you are affecting a change, so are we seeing that something that we thought would be two or three quarter long could be six quarter long in terms of adjustment?

Sashi Agarwal: There would not be major challenges in terms of when we engage with them, so the concern, which you are coming from I can understand when you are eliminating super stockists or may be a third level, generally the companies which they have worked upon they have distributor and a super stockist or maybe a wholesale channel and then the retail channel, but in our case, we do not have a three layer. We just have two layers. So we are not eliminating any of the layers into our system. So these kind of an extensive talks we have already got into them. We have engaged with them because we have heard these kinds of concerns coming in from the people who are already engaged with those companies. So we wanted to be very, very sure that we are at least are on the very same page in terms of the understanding is there, how their working will go, so that is one of the reasons which is taking us so much time for us to engage with them right now. So after ensuring that at an operational level, I have understood each other, we have understood the strategy, the way ahead plans, we will take it forward that is when we are going to shake hands, not before that. What is that we have done now and we see that yes we are in consensus, we understand each other, it should happen shortly.

Andrey Purushottam: Yes Madam, just because you are not eliminating your levels in the distribution chains does not mean that you should underestimate the amount of disruption that may be necessary in order to shake up the supply system and streamline it according to what you really want to do, so should we anticipate some degree of disruption for the next six months or quarters is the question?

Sashi Agarwal: It could be very early for me to comment right now because we have according to them they are saying they would not see any disruption because what is the extra stock that would be there at the distributor level would be distributed to the increase base. For them there would not be any decrease in sales according to them. To your point which you are coming from that because your supply would be limited, you will have a certain number of days of supply will be made etc., so I understand your concern, but after discussions what they have assured us as of now that we should not expect any disruption, but to ensure that we are on the very same page we would run a test pilot in the two of their territories which we have identified and that would give us results whether we should be expecting those disruptions or not. Only once we have entered the pilot phase, tested, tried and seen the results, is that I will be able to comment at what disruptions should we expect or not at all.

Andrey Purushottam: Thank you.

Moderator: Thank you. The last question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna Jhunjhunwala: Thank you for the opportunity. It is a followup question from an earlier participant who asked for other expenses. Other expenses excluding subcontracting expenses and also increase this year to 45 Crores from 36 Crores last year and in Q1 there was the other expense was 56 Crores, is this volatility largely because of ad expenses or there would be some other element as well?

Sashi Agarwal: This is majorly expenses VR expenses going up, because if you see in the first quarter we had already incurred an expenditure of around 30 Crores in terms of advertisements are concerned whereas for this particular quarter we have only 20 Crores. As compared to about 42 Crores of expenditure half-year ended last year.

Prerna Jhunjhunwala: So, there is no other element in this volatility?

Sashi Agarwal: No.

Prerna Jhunjhunwala: Thank you Madam. Thank you so much.

Moderator: Thank you. I now hand the conference over to the management for their closing comments. Over to you Madam!

Shashi Agarwal: I thank you all for joining the call. It was really a pleasure discussing the points and answering your questions. Thank you so much. Have a great day.

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

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