



“Dollar Industries Limited
Q1 FY '26 Results Conference Call”
August 12, 2025



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MODERATOR: **MR. SUMANT KUMAR – MOTILAL OSWAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to the Dollar Industries Q1 FY '26 Earnings Conference Call, hosted by Motilal Oswal Financial Services. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suman Kumar from Motilal Oswal. Thank you, and over to you, sir.

Suman Kumar: Thank you. Good evening, everyone, and very warm welcome to Dollar Industries Q1 FY '26 post results earnings call, hosted by Motilal Oswal Finance Services Limited. On the call today, we have management team being represented by Mr. Ankit Gupta, President, Marketing; Mr. Gaurav Gupta, Vice President, Strategy; and Mr. Ajay Patodia, CFO. We'll begin the call with key thoughts from the management team. Thereafter, we'll open the floor for the Q&A session.

I would now like to request the management team to share their perspective on the performance of the company. Thank you, and over to the management team. Thank you.

Ankit Gupta: Thank you, Suman. Good afternoon, everyone, and a warm welcome to you all. Thank you for joining us today for the Dollar Industries Q1 FY '26 earnings investor call. Gaurav and I will walk you through the business and operational highlights of the quarter, while our CFO, Mr. Ajay Patodia, will share the financial metrics.

Before we move into the financial results and operational highlights for Q1 FY '26, we would like to express our sincere gratitude to our shareholders, analysts and stakeholders for joining us today. Your continued support and engagement remains invaluable as we navigate both the opportunities and challenges within our industry. We would also like to draw your attention to the Safe Harbor statement included in the earnings call presentation. We request all participants to review it before the Q&A session begins.

Let me start with the broader picture. The outlook for the Indian apparel industry remains strong with its market size estimated at \$108 billion in FY '25, and it's expected to grow at a healthy 9% CAGR until FY '31. This momentum is being driven by rising incomes, higher discretionary spending and greater access to products through e-commerce and quick commerce.

With our strong brand presence, expanding reach and focus on premiumization, Dollar Industries is in a great position to capitalize on these opportunities. Importantly, we have not been impacted by the recent tariffs imposed by the United States as we have no exposure to the U.S. market.

With a favorable industry trend, we have delivered a strong start to the year with operating income for Q1 FY '26 reaching INR399 crores, representing a healthy 19.6% year-on-year growth. Volumes increased by 18.7% compared to Q1 FY '25.



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Our premium segment continued their strong growth trajectory, delivering 24.0% year-on-year value growth and 19.4% year-on-year volume growth with the average selling price rising 3.8% year-on-year. Force NXT recorded 21.5% year-on-year value growth and 18.0% year-on-year volume growth.

Our athleisure segment grew 14.3% year-on-year, reflecting strong demand for versatile apparel. India's athleisure market valued at \$13.15 billion in 2024 is projected to grow at 5.5% CAGR, indicating a promising long-term opportunity.

These results reflect our strategic focus on driving growth through premiumization and enhancing the revenue contribution from high-margin products, which is positively influencing our ASPs. Additionally, stable raw material prices are expected to support and further strengthen our margins going forward.

We would also like to draw your attention to our cash conversion cycle, which stood at 173 days in June '25. This is primarily due to two factors. First, quarter 1 is typically the smallest quarter of the year and for calculation purposes, the Q1 FY '26 revenue has been annualized, which mathematically inflates the number of days.

Second, the higher inventory levels reflects the production of thermals for the upcoming 2 quarters, which are higher value products. We remain focused on reducing our cash conversion cycle to around 150 days by the end of this fiscal year, an improvement of approximately 10 days compared to last year. Thank you.

Now Gaurav will provide further details on the business and operational highlights of the quarter.

Gaurav Gupta:

Thank you, Ankit. In quarter 1 FY '26, Dollar Industries modern trade, e-commerce and quick commerce channels delivered strong momentum, recording value growth of 65.2% and volume growth of 82.0% year-on-year. These channels contributed to 12.2% to total revenue, up from 8.7% last year, a rise of 351 basis points.

A significant growth driver has been the quick commerce segment, which continues to create new avenues for consumer engagement. We remain highly optimistic about its potential with its contribution to total revenue reaching 3.1% in quarter 1 FY '26. This performance reflects a broader industry shift towards an omni-channel ecosystem driven by a young digitally savvy customer base.

Premiumization remains a key trend as consumers seek higher quality and differentiated designs, while D2C and quick commerce are unlocking new growth opportunities. Increasingly, brands are also being evaluated on purpose and sustainability, making it imperative to align with evolving consumer values. Dollar Industries is actively leveraging these shifts to strengthen our market position.

The growth prospects are further supported by the rising penetration of online retail in India, expected to increase from 8% of total retail sales in FY '24 to 14% by FY '28. Modern trade and e-commerce channels also enable us to broaden our SKU portfolio, leading to higher ASPs and further supporting our premiumization strategy.

Coming to region-wise, Northern India accounted for 45% of total operating revenue, followed by Eastern and Western India 24% each and the Southern India contributed 7%. Our strategic partnership with G.O.A.T continues to yield strong results with the Pepe Jeans JV delivering a positive PAT in Q1 FY '26, driven by robust growth in modern retail and quick commerce channels.

Further, in Q1 FY '26, revenue was INR12.94 crores, reflecting a 56.6% quarter-on-quarter growth. PAT stood at INR1.53 crores, up 54.1% quarter-on-quarter with a PAT margin of 11.8%. We plan to introduce a broader product range under the JV in the coming months to further enhance our portfolio and strengthen our market presence. Thank you.

I'll now hand over the call to our CFO, Mr. Ajay Patodia, to present the financial metrics.

Ajay Patodia:

Thank you, Gauravji. Good afternoon, everyone. I appreciate you all joining us for our quarter 1 FY '26 earnings call. Before we open the floor for question-and-answer session, I would like to take a moment to walk you through a brief summary of our financial performance for the quarter. I trust you have had a chance to review the earnings presentation and press release. While Ankitji and Gauravji have already shared their perspective on the broader macroeconomic environment, I will now focus on our financial highlights for the quarter and full fiscal year.

In quarter 1 FY '26, our revenue from operations rose by 19.6% year-over-year, reaching INR399.13 crores. Our gross profit for quarter 1 FY '26 grew by 19.0% year-over-year to INR141.48 crores with a gross margin of 35.4%. Our operating EBITDA for quarter 1 FY '26 was INR42.88 crores with a margin of 10.7%. The EBITDA margin stood at 10.9% in Q1 FY '26. Finally, our profit after tax for the quarter was INR21.32 crores, growing by 39.3% year-over-year, translating to PAT margin of 5.3%.

On the balance sheet front, our net debt reduced from INR329 crores in March '25 to INR278 crores as of 30 June '25. We remain committed to further lowering our debt burden with no significant capex plan over the next couple of years. The free cash flow generated from operations will be directed towards debt repayment, resulting in lower finance costs and improved profitability. We also generated a free cash flow from operation of close to INR67 crores in the quarter gone by.

Now I would quickly run you through the brand-wise contribution for this quarter. Bigboss, our Dollar men's segment contributed around 40%. Our Dollar Always contributed around 42.3%. Our women's segment Dollar Missy contributed 8%. Rainwear segment Dollar Protect contributed around 4% and our premium segment Force NXT contributed around 4.2% and our Dollar socks around 2%.

We remain firmly committed to our strategic priorities and growth initiatives aimed at driving long-term sustainable profitability. Our focus on premiumization supported by rising contribution from modern trade, e-commerce and quick commerce will position us well to deliver strong revenue and profit growth this fiscal year and beyond. Thank you all.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Divanyash Thakur from Hill View Global.

Divanyash Thakur: First of all, congratulations on the great results. So, I had a question regarding Project Lakshya. So, Project Lakshya contributed 26% in fiscal year '24 and 30% in fiscal year '25. You have said that you target about 70% contribution by fiscal year '26, supported by expansion into Madhya Pradesh and Jharkhand. So what are your company's plans or strategies to reach this goal, if you can further...?

Ankit Gupta: So in Q1 FY '26, our overall contribution coming in from Lakshya Project was 32% of our total revenue without any increase in the number of distributors. Like I said in the earlier call also, like a call before like year-end call, earnings call, the thing is that due to the intensive competition into the market and with this particular project, it really disrupts the market for a time being. And therefore, in order to save the market share or the shelf space at the MBO point, we have slowed down, paced it a bit down the implementation of this project.

Ajay Patodia: Currently, we are not very aggressive in this project, but we assure that we optimized it. We completed the project within 2 years.

Divanyash Thakur: If I can follow up, is there -- so if we are going to expand then, is there any margins that we are looking at, particularly if we increase the pace of Project Lakshya by inventory management?

Ajay Patodia: Yes, we already implemented the SAP HANA in our project. And we have the system from -- where we have the data from the Project Lakshya in our system, the system -- DMS system is integrated with our SAP system. So we get the actual quantity, which is required at every state and in every pin code. So accordingly, we are planning our production and we control our inventory. And for this reason, we expect this year we achieve our target to reduce the working capital days in the current year from 160 to 150.

Moderator: The next question is from the line of Shubhankar Gupta from Equitree Capital.

Shubhankar Gupta: Yes. Actually, I have two questions. So first question is around e-commerce. So what have you done differently over the last 1 or 2 years for the up tick of modern trade and e-commerce channels? That's one. Second is roping in large stars like Mahesh Babu for South India, South India promotion, has it shown any goodness? And how are we reaching that?

Ankit Gupta: So Gaurav, do you want to take this?

Gaurav Gupta: So in e-commerce, what we have done is we have really driven deep into the various portals that are available, say, Myntra, Flipkart, Amazon, we have decided to tie up and kind of penetrating all the kind of business models that they have, to reach the customer and reduce the TAT, because in today's world, what happens is the customer is not ready to wait for the product.

So they have got different models and different warehouses across India where your product, if it is made available, it reaches the customer at a faster pace. So we have explored that segment in depth. That is about e-commerce.

And coming to modern retail LFS channels, we have tied up with Walmart. We have tied up with Spencer's. We have even given to V-Mart, V2. So we are expanding our doors with respect to them as well. So this is in regard to the e-commerce and LFS and how we are expanding into them.

Coming to about our association with Mahesh Babu as a South Indian brand ambassador, he definitely has created a buzz in the market. But South India being a very, very tough market because the local brands and the presence is so strong and to change that mindset and to declutter that, it's a long process. So to comment anything in regard if it has actually benefited us in numbers will be a very difficult thing to tell. But it's a long process.

Shubhankar Gupta: That's fair. So I think in terms of South India, right, as you rightly said, I mean, it's a tough market to penetrate because of local presence. What I'm trying to understand more granularly is how are we gauging that? And let's say, one way could be that in FY '24 or '25 in the midst of that and post that one year, let's say, our presence -- our whole revenue from South India was X and now it's Y. So if you could share that number, it could probably give some early signs as to how it's coming along.

Gaurav Gupta: Ajay ji, can you share the numbers with them?

Ankit Gupta: Yes. So Shubhankar, the thing is that in South India, like Mahesh Babu is -- so first, we have to understand that all the 5 states act very differently, and they have their own set of culture rules and liking, disliking and everything, right. So Mahesh Babu is very famous in the state of Telangana and Andhra Pradesh. He has some kind of a penetration in Karnataka, but not much in Tamil Nadu or Kerala. So with Mahesh Babu, like if you talk about Q1, we have seen Andhra Pradesh growing by around 40%, whereas at a company level, we grew by 19.9%. But in Andhra Pradesh, we grew by 40%. And in Telangana also, we got a good growth, which was somewhere around 20%, 21%.

But overall, to see the actual effect of Mahesh Babu in the market, it's a gradual process. So it will happen with time. Maybe in the next couple of years, we'll be able to see a very big change in South India market penetration because we have changed the entire packaging also as per the South India. We have added the local language also in the packaging with Mahesh Babu's picture and everything. People are liking it. We are getting good feedback from the retail point also, like from the MBOs. We are getting a very good feedback about it. So it's just a matter of time, and we are very hopeful that it will take off.

Moderator: The next question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Sir, a few -- like in last week, your competitor reported Page Industries. And they highlighted that overall industry trends have remained very sluggish. In fact, they themselves saw a very steep moderation. And you have grown 19%. I was looking at Lux Industries' number, they have grown at 12%.

So just wanted to understand overall industry, like have the competitors exited some markets, which has resulted in you gaining shelf space? Are consumers down trading from higher

premium levels to mid-premium levels? Have you seen any increase in receivables this quarter? Just some color on the overall growth performance in industry.

Ankit Gupta:

So see, one thing we need to understand that Page operates in a very different market segment. Their target consumer is very different from our target consumers. And if you see Page Industries, they mainly sell through their EBOs, large-format stores, which is like modern retail, what we call. A great percentage of their sales comes from organized channel and not from trade channel. But in our case, mostly our sales comes from trade channel and very less like around 10% to 12% from modern channel, like organized retail, I would say.

So there's no down trading happening in the market. Yes, maybe it may happen so that consumer footfall at an EBO level or a large format level might be sluggish. But what we are able to see in the market is we are getting good demand from our distributor point and the MBO point. And even if suppose there was so much sluggishness in the market, then our Lakshya areas would have degrown. But let me give you an example like Haryana, Gujarat or Orissa, where we have 100% rollout done, these states are completely under Lakshya project.

And in Gujarat, we have grown by around 25%. Haryana, we have grown by 18%. And Orissa, we have grown by around 20%. So the reason why I'm citing these examples are because whatever the distributor sells to the MBO, we replenish to the distributors on a weekly basis. So this growth signifies that on a secondary level also, the goods are moving and there's no inventory getting stock up at a distributor level. So I wouldn't say that it's very much sluggish when we talk about trade channels.

Sameer Gupta:

Got it. So basically, different segments in the market are behaving differently. That would be a -- that would be an interpretation.

Ankit Gupta:

But there's no down trading which is happening. Like a person wearing a Jockey wouldn't be wearing a Bigboss. He might go and try Force NXT, which is our premium product and equally comparable to Jockey because if you see our Force NXT growth also, we have grown by around 18% this particular quarter.

Sameer Gupta:

And how much is Force NXT now for you as a percentage of your sales?

Ankit Gupta:

So it's around 4.2% to our total revenue contribution.

Moderator:

The next question is from the line of Bhargav from Ambit Capital Asset Manager.

Bhargav:

Sir, my first question is that in the fourth quarter, we did have some additional discounting, which was being done by the industry. Has this discounting started reducing or the intensity still continues to be very high?

Ankit Gupta:

Bhargavji, the thing is that the competition is still intense in the market. And the thing is that the discounting that we -- the extra schemes and incentives that were given in quarter 4, it has started reducing but not up to an optimum level where we would be telling that we are satisfied with the pricing levels. It is yet to come down. And gradually, I think in a couple of quarters, we should see some changes happening.

Bhargav: Okay. Secondly, sir, we've reduced the debt by about INR51-odd crores in this quarter. Is it fair to assume that by the year-end, we can reduce about INR100-odd crores given that free cash flow generation in this quarter was also impressive at about INR67 crores?

Ajay Patodia: Yes, Bhargavji, we already reduced INR50 crores, and we are targeting to reduce more within this year. Our ultimate aim is to -- by FY '28, we have to, the company to be net debt free. And already in my commentary, our management wants to release the working capital and there is no capex plan in next two years. So all the release working capital amount is adjusted towards the debt only. So we are very hopeful that we achieve our target.

Bhargav: And lastly, sir, obviously, we reported very impressive 19% volume growth. But fair to say that the secondary market has also seen equivalent growth or there is some inventory that the channel may be sitting on given the upcoming festive season?

Ankit Gupta: So it would be a mix of both, I would say. But given the scenario that we have seen in the Lakshya areas, there has been equal amount of growth that we have seen in the secondary market as well. Because over there in Lakshya areas, we don't stock up inventory at our distributor level, and we don't push our products, right? Whatever they sell to the MBO, we bill it to the distributor on a weekly basis.

And seeing that scenario, seeing the secondary data, like billing from distributor to the MBOs, we have seen a good jump in the secondary also. So it would be unfair to say that people have stocked up the goods and we have pushed to them. So I think it would be a blend of the two and more contributed towards the secondary growth only.

Bhargav: In terms of advertising cost, how is the trend on a Y-o-Y basis? Is it falling or it continues to remain on a growth path?

Ankit Gupta: So in Q1, our advertisement cost was somewhere around INR29 crores with respect to INR24.5 crores last year. So it's 18% growth. But overall, on a year-on-year basis -- on a full year basis, we'll be capping our advertisement cost to somewhere around INR85 crores to INR90 crores.

Bhargav: And lastly, in terms of your Lakshya areas, what has been the volume growth? Is it possible to quantify?

Ankit Gupta: So in Lakshya areas, if we talk about all the states who have been rolled out fully, like if you talk about Gujarat, so there we have seen a volume growth of 25%. Haryana, we have seen 18%. Telangana -- sorry, Andhra Pradesh, we have seen around 50% kind of a growth. And if we talk about Orissa, we have seen 21% kind of volume growth. And where the project is still ongoing, there it's somewhere around 12% to 13% kind of a volume growth that we have seen.

Bhargav: And the working capital in these areas would be how much, sir?

Ankit Gupta: Sorry?

Bhargav: Lakshya areas, is it fair to assume that the working capital days will be lower?

Ankit Gupta: Yes, definitely. The debtor days in Lakshya area is lower than what we see in the normal non-Lakshya areas.

Bhargav: Both debtor and inventory, right?

Ankit Gupta: Debtor. Because inventory -- our sale is completed when we bill it to the distributors. And there's no goods return into the company, right? So inventory at the distributor level does not come into our working capital cycle.

Bhargav: Okay. And lastly, in terms of Lakshya in the next two years, where do you see the rollout from current 31%, 32%?

Ankit Gupta: So it would be very difficult to actually commit or give guideline on the same. We really want to wait for 3, 4 months before we actually come with a proper plan and the strategy. Because of the intense competition that is going on in the market, we are unable to comment on that. But we are very optimistic about the project, and we really want to take it forward because we are seeing good growth. It's just that in a short-term period, it causes disruption in the market. And we are not yet ready to actually lose the market share while we are implementing this particular project.

Moderator: The next question is from the line of Deepali Kumari from Arihant Capital Markets.

Deepali Kumari: As you have made INR16.5 crores export revenue in Q1 across 15 countries. So what category are you targeting for export in next 2 or 3 years? And are there any specific geographies you are prioritizing and looking for in your geography?

Ankit Gupta: So we have always been strong in the Gulf market. But the newer market that we are trying to enter and increase our overall export is the African market and Myanmar, Burma. So we have very recently, like last year only, we started off with African market and Burma exports as well. So we hope that we'll be able to crack, because it's very difficult to enter a market where -- so in the African market, there's a lot of counterfeit product that sells. There's a lot of private labels. So there's a cost constraint also in order to enter into the particular market. So we are very hopeful that we'll be able to grow our exports.

Deepali Kumari: Okay. And sir, are you looking for inorganic growth for brand acquisition...

Ankit Gupta: Sorry...

Deepali Kumari: Are you looking for any inorganic growth?

Ankit Gupta: So we have been looking for inorganic growth for quite a while, but things have not materialized as of now. But in case there's a good opportunity that comes in with the business point of view, yes, we are open to it.

Deepali Kumari: And sir, how do you see the product mix evolving between core innerwear, outerwear, athleisure segment by '27 or '28?

Ankit Gupta:

So currently, our athleisure segment is around 12%. Our innerwear contributes around 85% to our sales. And the rest is thermals and socks and women outerwear. Going ahead, we grow at a faster rate than our innerwear. And we are very optimistic about the thermals also. Since it's a seasonal product, one can't comment on that. But yes, there's a good opportunity, and our market share is very less when we talk about thermal wear. So we have a good opportunity over there as well.

Plus the raincoat that we have come out with Dollar Protect, so we are getting very good traction. In a couple of years, we are standing at 4% of our total contribution coming in from Dollar Protect rainwear. So we are very hopeful about these product categories growing at a faster rate than the core products.

Moderator:

The next question is from the line of Naman from AUM Capital.

Naman:

Congratulations on a good set of numbers. So I have a question. I just want to understand, since the cotton forms a major part of your raw material, how has been the trend in the cotton prices till date? And how should we expect it to evolve going ahead?

Ankit Gupta:

Sorry, we didn't get your question.

Naman:

So I was asking that since cotton forms a major part of our raw material, how has been the trend in cotton prices till date? And how should we expect it to evolve going ahead?

Ajay Patodia:

Currently, cotton market is very stable. And from last 6 months, average cotton price is stable between INR55,000 to INR56,000. And as per current guidelines, the agriculture for cotton crop is also very good. And we hope that there is no fluctuation in the market with regard to cotton prices. And it is stable for next 6 to 12 months.

Naman:

Okay. And as you said that you expect the price to remain stable. So, say, suppose in case there is some hiccups going ahead, have you done any kind of hedging to protect the prices? Because if it shoots up, then it is obviously going to impact our performance.

Ajay Patodia:

Actually, we purchased 80% of the -- our procurement is yarn only. So we require 20% -- we purchase cotton for our spinning unit only. So there is no requirement for such hedging purpose.

Naman:

Okay. And my next question is could you please provide us a breakup of your export revenue based on country, like what portion of your export accounts for a particular country, if you can just provide that breakup?

Ajay Patodia:

Currently, not available now. But we can help you to send after the call if you contact at our email, we can give certainly. Just to clarify that we don't have any exposure to U.S. market. So there is no impact on the tariff imposed by United States.

Naman:

Yes, yes. You mentioned about -- so on that part, I have no further questions to ask. And I hear you mentioning that advertisement cost is somewhere around...

Ajay Patodia:

Our target...

Naman: Somewhere around INR39 crores. I'm assuming you are targeting around INR80 crores to INR90 crores going ahead, right?

Ajay Patodia: In absolute terms for the full year.

Naman: In absolute terms. And while I was going through your financials in the other expenses part, there was approximately 90% jump on a Y-o-Y basis. So could you please shed some light on that, like what led to this sharp jump?

Ajay Patodia: Actually, in quarter 1, we have promotion through the IPL also. So in quarter 1, it is heavy but overall in full year, the budget is within our range, within 5% to 6% only. So current year, our total cost -- total budget is around INR80 crores to INR85 crores. So in next quarter, there is less expense on advertisement.

Moderator: The next question is from the line of Anik Mitra from Finnomics.

Anik Mitra: Sir, my first question is regarding EBOs. Sir, in FY '25, you have given a target of 125 EBOs. And in FY '24 and '25, we have seen that you have 17 EBOs. And once again, you have given 125 EBOs target by FY '26. So I just want to understand how do you achieve this number? What would be the strategy behind like achieving this 125 EBOs from 17 currently? And what would be the impact of this increasing impact on your top line?

Ankit Gupta: So, Mr. Anik, the thing is that during last year only, we said that we are not opening any EBO and we won't be able to open 125 EBOs by FY '26 also because the basic problem still persists that the exclusive brand outlets that we have, the ASPs are very low and the per ticket value is that we are getting right now is not feasible and it's bleeding, right? So up to a certain level, we are able to optimize.

Also we are treating it as a white elephant, like it is more of an experience store for our consumer and it's a permanent hoarding of our brand, which is there. And we are compensating our franchisees also on a yearly basis. Although the amount is not big enough, it's almost negligible. So the amount we are bleeding is almost negligible, but finding new franchisees for the stores is getting difficult.

Secondly, we don't really want to open COCO stores because it would be capital intensive and a lot of -- it's capital heavy. So that's why we don't want to move for COCO model. Yet we are trying a few different things in the market with respect to EBO like kiosk and getting smaller stores where we can find franchisees very easily. So we are working on that. And we are also working on the front that how do we increase our overall ticket value at the store level? So once we are able to achieve that, I think we'll be able to scale up our exclusive brand outlets.

Anik Mitra: Absolutely, sir. Sir, my another one question is like what is the ratio of your premium, semi-premium and mass products in terms of revenue value?

Ankit Gupta: So in terms of revenue, our economy range is contributing around 42% of our sales. Mid-premium is 48% and premium is 8%.

Anik Mitra: Premium is 8%?

Ankit Gupta: Yes, 8% of our total sales that is the premium sub-brands that we have. But if you talk about premium in terms of EBITDA contribution, there it's almost 24% to 25% of our sales.

Anik Mitra: Premium. Okay. So sir, the Force NXT itself contributes around 4.2% as of Q1 FY '26. So overall, it is you are saying 8%, okay. I got it.

Moderator: The next question is from the line of Pulavarthi Sai Kiran from Pulavarthi Advisors.

Pulavarthi Sai Kiran: Sir, just continuing on one conversation on the advertisement expenses. If you look at your annual report last year, you have advertisement expenses of approximately INR100 crores and you also have commission and brokerage of around INR30.5 crores and you have got sales promotion expenses are around INR14 crores and you have got other selling and distribution expenses of INR35 crores.

Sir, how do you classify among these four? And if I compare with your peer group, all this combined together, you have got a very high proportionate percentage of sales. How do you think about it? And also going forward, how do you evaluate the effectiveness of this expenditure?

Ajay Patodia: Yes. With respect to advertisement expenses, means that we classify all the ATL and BTL activity, like electronic media and like in-store branding. But with regard to commission, if the commission is paid on sales and on purchase also. So when we procure yarn, then there is a commission. When we sell our product, then we have the system of the delivery agent. So we have to pay the commission from 1.5% to 1.75% of our sales.

With regard to sales promotion expenses, they are the expenses which are -- we organize conference for our dealers and distributors time to time and promote and selling expenses is related to the TA&DA part of the sales person. We have a team of around 650 persons for salesman team, and the selling expenses related to the traveling and DA part of the sales.

Pulavarthi Sai Kiran: Got it, sir. So how do you measure the -- go ahead, sir.

Ajay Patodia: Yes. All the 4 are different head and different nature.

Pulavarthi Sai Kiran: Understood, sir. How do you measure the effectiveness of your advertising expenditure, sir?

Ajay Patodia: Pardon...

Pulavarthi Sai Kiran: I mean to say that you look at INR100 crores in terms of the advertisement expenditure, right? As a percentage of sales, it is almost like one of the highest in the industry, almost like 6% to 7% is what you have. How do you measure the effectiveness of the advertisement expenditure which you have?

Ajay Patodia: Yes. If you see our balance sheet from last 5 years, then you see that our advertisement expenses is capped within INR100 crores because according to us, INR100 crores is the handsome amount for the brand to promote. And currently, this year, our target is around INR80 crores to INR85

crores. So we have the target of growth of 11% to 12%, then it comes to around 4% to 5% of the total revenue for this year.

Pulavarthi Sai Kiran: And one last question, sir, in terms of Project Lakshya. When you look at -- I understand that you measure your effectiveness of the Project Lakshya, but have you ever worked with the distributors? What kind of benefits the distributors got and how that benefits are improving?

Ankit Gupta: So there are majorly three to four benefits that the distributors are having. One is that we don't push our products to the distributors. So the distributors' inventory is optimized at a level of 30 to 45 days. Secondly is we have fixed their margin, and we have fixed the retail price also at which the distributor would be billing to the retailer, and it has been guided by our distributor management system.

The third is the ROI. So the ROI that we have guaranteed our distributor, if they follow all our SOPs is somewhere between 18% to 20%. And the distributors who have been working hard in the market and following all the SOPs, we have seen that distributors are earning around 20% to 25%, 28% also ROI. So these are the benefits that the distributor gets. And in turn, we get all the data at which pin code, which retailer is getting billed and at what frequency, what is the kind of range selling that we are doing in the market?

And the sales representative that we give to the distributor. Earlier, our sales representative was limited. But now we ensure that from company side, there's a minimum of 15 days of working happening at a distributor point that the distributor handles his area. Plus we have given telecaller support to the distributors. So our telecallers also take orders from the retailers on a weekly basis. So these are the benefits that the distributor get while they are dealing with us.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Securities.

Prerna Jhunjhunwala: Sir, I just wanted to understand the competitive intensity in the industry, given that 19% growth that you have done during the quarter, is there any base effect or easing of competitive intensity? Or how should we read this number?

Ankit Gupta: So Prerna, the competition is still intense in the market, although it's not as intense as it was in Q4, but the intensity is still there. And 19.5% kind of a growth that we have done is the hard work of our sales team and the distributor and the trade channel. And plus the model -- the support that we got from the e-commerce, quick commerce and the modern retail, we have seen 82% kind of a growth in our modern trade sales. So e-commerce has also helped us a lot in increasing our overall sales.

Prerna Jhunjhunwala: Okay. Just a follow-up. Will that be meaningful to our overall numbers when we look at the 12% volume growth for -- how much would be the e-comm contribution in that?

Ankit Gupta: So overall, e-comm contribution to our total sales -- the modern trade contribution to our total sales is 12% for this quarter.

Prerna Jhunjhunwala: Okay. And do you see this kind of performance continuing over the next few quarters given the support of modern trade and quick commerce continuing. So we will be able to achieve 15% plus growth for the next of the quarters coming ahead?

Ankit Gupta: So Prerna, we are very optimistic about the numbers and everything. But as told earlier that our guideline will still be at 11% to 12% on a yearly basis, so which would be majorly guided through volume growth and not value.

Prerna Jhunjhunwala: Okay. And sir, I was not there on the call earlier. So I would have missed this, but the distribution of Lakshya has not improved in the quarter. How do we see this project moving ahead?

Ankit Gupta: So it is slow paced right now. It's a conscious call that we have taken, taking into account the overall competition behavior also in the market. And that's why it's a bit slow paced. And it's a strategic decision that we have taken right now, but we are very optimistic about the project and seeing the results coming in from the matured state as well in the first quarter. So it really motivates us that we'll move ahead with this particular project. And sooner or later, we'll be able to complete the project pan-India basis. But yes, for the time being, we have slow paced this particular project.

But at the same time, yes, we are very optimistic. So we'll be completing the states that we have started. Our ongoing WIP is Jharkhand, Bihar, some parts of Himachal that we have. So these are some of the states that we need to complete. Maharashtra, it's an ongoing project for us right now. So still more than half of Maharashtra is still left. So we'll be completing this. And we'll not be including any new states as of now because this particular project disrupts the area for a time being, and we're not in a mood to shed the market share that we have or the shelf space.

Prerna Jhunjhunwala: Understood. So sir, any improvement in working capital cycle or type of products that you are seeing in Lakshya that you were targeting to achieve? Could you highlight some of the benefits that are starting to accrue in the Lakshya network?

Ankit Gupta: So in Lakshya network, our debtor days are much better than the non-Lakshya distributors. So our debtor days are better. We are able -- the sales are much more organized, and we can actually track the secondary data also on a daily basis, distributor-wise. So we actually know where we are lacking and we get real-time market feedback also, market data also like which product is doing well, which is not doing well, where we have to put in more focus, which brand to focus more on? And what is the kind of visibility we are getting or traction we are getting in the market with respect to the competitors? So all those data that we are getting is very valuable. Overall, yes, the distributors' ROI has increased. So they are also more focused about the project, and they are working really hard in the market. And yes, that's it. And the debtor days that has reduced, which I told you.

Prerna Jhunjhunwala: And what will be the difference, sir, in the debtor days of Lakshya and non-Lakshya?

Ankit Gupta: It would be to the tune of 30 to 35 days.

Prerna Jhunjhunwala: Okay. And the last question is on Dollar Women. In one of the slides, you've mentioned the brand-wise contribution of Dollar Women at 8% and gender-wise contribution of 13%. So just wanted to understand where is the rest of 5% actually included in the number?

Ankit Gupta: So it's in Dollar Always. So like Dollar Always is the consolidation of our -- all the economy range of products. So it's a mix of men's, women's and kids actually. It has always operated in a similar manner. So that's why.

Moderator: Thank you. Due to time constraints, that was the last question. I now hand the conference over to the management for the closing comments.

Ankit Gupta: I would like to thank you all for taking the time out to join the earnings call. Have a nice day. Thank you.

Ajay Patodia: Thank you.

Gaurav Gupta: Thank you so much.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.