



“Dollar Industries Limited Conference Call to discuss
Q1 FY '21 Earnings hosted by Elara Securities Private
Limited”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Dollar Industries Limited Conference Call to discuss Q1 FY '21 Earnings hosted by Elara Securities Private Limited. As a reminder, all participants' lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Akhil Parekh from Elara Securities Private Limited. Thank you and over to you, Sir.

Akhil Parekh: Thanks, Bikram. Good Afternoon everyone, on behalf of Elara Securities, I would like to welcome you all for the Dollar Industries 1Q FY '21 Conference Call. We have with us Mr. Vinod Kumar Gupta – Managing Director; Ms. Shashi Agarwal – Senior VP (Corporate Strategy); and Mr. Ankit Gupta – CFO.

Without taking much time, I would like to hand over the call to the Management for their opening remarks and after that we will open the floor for Q&A session. Over to you, Sir.

Vinod Kumar Gupta: Good Afternoon everyone, myself Vinod Gupta – Managing Director of Dollar Industries Limited, would like to extend a warm Welcome in this earning call for Q1 FY 21 of Dollar Industries Limited. The global economic continues to move in at slow pace and is expected to shrink due to current pandemic situation. The Indian consumers morale and confidence is also very low as they are going pessimistic about their jobs, income, and expenses, however, there is a glimpse of hope in this sentiment committed by RBI with consumers turning cautiously optimistic about the coming years. The impact of COVID-19 pandemic on the health of business of the companies has provided an opportunity to companies to work in a different way that is to help the business in worst scenario. With decreased revenue, the companies are trying to cut cost and adopt other measures to decrease their other consequential expenses as well. The companies are resorting to other innovative means to draw their customers. Dollar Industries has also resumed its business activities by reopening its factories and offices gradually in line with the guidelines issued by the Government authorities from time to time and adopting measures to increase revenue and restrict their cost to the extent possible. We are working towards minimizing the financial impact keeping the safety of our employees as a priority. The company has recently introduced anti-viral fabric for its products which provides protection from virus. The fabric is treated with a chemical during the processing stage, which makes the fabric resistant to virus. The company continues to think of innovative ways to ensure that the production reaches its consumers safely. This is all from my side and I will now hand over to Ankit to talk to you about the financial performance of the company this quarter.

Ankit Gupta: Thank you, Sir. Good Afternoon everyone. The company achieved total revenue of 160.17 crores for the Q1 FY '21 as compared to Rs. 233.94 crores for Q1 FY '20, a degrowth of 31.5% there. The EBITDA of the company for Q1 FY '21 stood at Rs. 28.83 crores, which is 18% as against Rs. 27.32 crores for Q1 FY '20, which was 11.68%. The PBT for the quarter FY '21 stood at Rs. 22.04 crores, which is 13.76% as against Rs. 19.96 crores for Q1 FY '20

which stood at 8.53%. The PAT for the Q1 FY '20 stood at Rs. 16.30 crores which is 10.18% versus Rs. 13.05 crores Q1 FY '20 which was 5.58%. The loss from the joint-venture for the quarter stood at 0.52 crores, our share being 50%, that is, 0.26 crores wherein in same quarter last year, the profit stood at 0.27 crores as with our share being 0.13 crores. Now, moving onto the revenue breakup for Q1 FY '21, BigBoss stood at 43%, Champion at 1%, Force Go Wear 5%, Force NXT 1%, Missy 6%, and Regular, which is our economy range of products, 44% so we saw huge demand coming in for the economy range of products and also our thermals is zero because it was not the season for thermals, the thermal sales will start coming up from Q2 onwards, that is it from my side and I now open the forum for Q&A.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question and answer session. We have the first question from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Thank you so much and good Evening to the Management. I had two questions, the first one was on the cost bit, if you could just elaborate that on the cost saving side, there has been quite a reduction compared to the last quarter and even if I look at our subcontracting charges as a percentage of revenues that has also fallen recently, so is it that there has been a renegotiation of rates with the contractors and what are the other measures that you have taken, if you could just elaborate on that?

Ankit Gupta: Firstly, in our overall cost it was the advertisement expenses which was reduced to considerable amount when you compare it to the last year first quarter, last year first quarter we spent around 27 crores, but this year it was just 11 odd crores, so this was a major saving in the cost. Other than that when you say the subcontract charges, if you see our total days of operation was around 50 days instead of the whole quarter, right, so the total production that took place in the first quarter was in limited numbers, so that is why the subcontract charges are low and overall if you see, we have reduced our inventory of finished goods instead of producing more and there has not been much of a negotiation with regard to the subcontract charges I would say.

Nihal Jham: That is helpful, I got that, second one was on the brand wise mix and you did elaborate that the share of regular which is the economy range has gone up from 35% to 44%, I just wanted to understand that is the significant increase in the economy range has anything to do with the current state of the economy or any input that you have got from talking with the distributor or dealer, what is the reason for such a sharp increase in the regular rate?

Shashi Agarwal: Nihal, it is definitely, first of all we understand that the period of operations or the supply or the entire sales revenue generation has been very, very limited. Second of all, we all know that the shops were opening on randomly, post the shops are closed even now permutation and combinations, online shopping so all these things are it is there, so it is not 100% operational economy right now and these are the numbers, interiors of the country have little infected rather than the urban area, so here the consumption of the low-priced product has been much

more in demand than the premium segment products, so hence you can see the shift and this is a kind of an impact of the pandemic which we are seeing right now. People are moving out less in terms of the market, they do not want to travel far away from their own houses, they want to limit their travel etc., so whatever is available into their vicinity is what they are trying to buy, so at the moment people are also cautious in terms of the spending requirement, so that has been this particular impact or change in terms of shifting from premiumization to kind of an going for a local economic brands or the economy range of products is what is the temporary phase which we are seeing currently.

Nihal Jham: What is the ASP of the regular range?

Shashi Agarwal: We have also seen a decrease in terms of ASP concerned in regular because there are certain discount items which were appearing below the line has now been, we are taking care of it in our billing system itself, but as an average the ASP of the regular items stands around Rs. 35 to Rs. 40.

Moderator: Thank you. We have next question from the line of Prateek Agarwal from Ernst & Young. Please go ahead.

Prateek Agarwal: Thanks for the opportunity for asking questions on the call, I had two questions, first one being have a turn on fixed cost during this pandemic period and how do we see it panning out in the coming years or the coming quarters, will there be a substantial inherent fixed cost so that we can come back to the same profitability levels at the end of the year?

Shashi Agarwal: Prateek, fixed cost when we are talking about the major element in our other expenses has gone to the advertisement segment and for sure the company has taken a decision in terms of cutting down its expenditure on the advertisement is concerned, so what little you see in this particular quarter that 10 crores or 11 crores which you see in our other expenses segment that is mainly because for the fact that we had shifted or changed our brand identity, we had changed our branding structure, the logos had been changed and all these communication was a requirement for the company to be spread across with the consumers that the brand identity is not lost in the transition, so this is an expenditure which we had to incur, but going cautious, the company is definitely going to cut down on the expenditure in terms of this current year. As far as the coming years are concerned, it completely depends on how the entire economy and how the revenues phase out in 2021 that is the time that we will take a decision for the next coming years. We are also trying to work, that is one of the reasons that we talked about, definitely now since the travelling is restricted we can always see a decrease in the travelling expenses that is much more expected. Then we are also trying to work around other fixed expenses where we can really have some savings can be achieved, so those are the segments that the company is definitely working across, let us hope so that we see these savings which we achieve in this year if we can sustain them and carry forward for the next coming years.

Prateek Agarwal: Understood, I just want to follow this question on with one more sub-question which would be have we cut down on employee expenses, are there major layoffs which will bring us more operating leverage and help us cut down on the fixed cost that we have on our books?

Shashi Agarwal: The answer goes like this, Prateek, that we are not having major layoffs here, but definitely the evaluation is in process in terms of the performance of the employees and maybe we have to set parameters there, we have to evaluate and see that we do not carry excess baggage, so we want to be a little thinner there. As far as again the salary cuts are concerned, it starts right from the top management from the senior management who have taken most of the hit for the salary cut because that is little heavy and then it is percolating down depending on the bracket and the slabs which we have put across, but I would say the major cut goes with the senior management.

Prateek Agarwal: Understood, now the second question that I have is how do we see our change in mix of sales when we want to compare geographies as to our sales mix prior to the pandemic and during the current scenario, Tier-1 city to a Tier-2 and the urban cities and the second part of the question again with respect to mix is what are the channels that have been more active in allowing us achieve sales, have we seen a shift from a general trade to more of an ecommerce sale or something like that?

Ankit Gupta: Overall if we talk about the change in the demographics, earlier it would be, a lot would be around 36% to 40%, East and West more or less 25%, and South would be around 8%, but this first quarter after the lockdown when we started the operations, we saw some changes like in North it was around 40%, East went up to 28%-29%, West was around 25% only as before, and South declined from 9% to 7%, this is the major demographic change which we saw just after the lockdown reopened in the first quarter.

Prateek Agarwal: Before you move onto the second part of the question, I just want a follow up just with one more piece; did we see any change in mix from a rural to urban or urban to rural owing to the lockdowns because there was sporadic lockdowns in pockets in the urban area more than the rural areas?

Ankit Gupta: We saw a lot of traction coming in from Tier-2, Tier-3 cities and that is the reason why we have economy range of products being sold at high levels like the total contribution being 44% which was earlier 35%, so we saw a 9% growth in that so majorly it came from Tier-2, Tier-3 cities the rural belt I would say or semi-urban belt, but from urban belt what we saw, what we gathered is we saw a good traction in our Athleisure range of products, so we just started Athleisure range of products last year itself and by this year we see a total contribution of the Athleisure being 5% of our first quarter sales, so we saw a good traction over there as well and coming to online versus traditional mix, we do not want to actually make a comment that it is like online sale is taking over or it is being a shift from traditional to organized sales, before also our organized sales was just 2% to 3% of our total sales and being such a small percentage of our total sales, we will not actually say that it is a major, there is a shift from like traditional

sales to online sales. While we see a good traction on ecommerce platforms for our online sales, like for the brand of BigBoss, Missy, or NXT, we are seeing a very good traction on ecommerce platform, our sales on ecommerce has been 1.5 X to 2 X like before the pandemic and after like in the first quarter itself, but it would be harsh to say that there is a major shift going from traditional to the online sales, because still our traditional sales is around 96%-97% of our total sales.

Moderator: Thank you, Sir. We have next question from the line of Prerna Jhunjunwala from B&K Securities. Please go ahead.

Prerna Jhunjunwala: Thanks for the opportunity, Madam, we were going through your presentation which talks about the new identity launched in the quarter, could you please explain the concept behind Dollar Lehar where does it stand, is it a new brand or is it a name of a portfolio and how do we look at it in terms of brand or product or what is the significant of Dollar Lehar?

Ankit Gupta: Basically, earlier when we used to segregate our brands, so there was something called regular in our portfolio, right, it contained all the sub-brands which were economy range of products, so it used to contain majorly Lehar, Bravery, Commando, Comfort, **20:34 (Inaudible)** also sub-brands put together they constituted regular, but after the brand architecture, so all the sub-brands like Bravery, Commando, Comfort, they have all been consolidated into the sub-brand name called Lehar which now acts as a category but under Dollar Always, now Dollar Always is a brand and under that we have a category called Lehar which contains all the products which were there in the economy range of products.

Prerna Jhunjunwala: Sir, could you please explain Dollar Man also like there is a thing called J-Class that will remain as a brand under Dollar Man?

Ankit Gupta: In Dollar Man, earlier we used to have just BigBoss as a sub-brand and BigBoss used to contain a premium range of products within BigBoss known as J-Class which was launched around two years back, so now Dollar Man is a brand and the categories that we have defined is BigBoss, J-Class, Athleisure, so this is how we are segregating it. Now, Athleisure is not a part of BigBoss, but let us say it is a part of Dollar Man and similarly J-Class.

Prerna Jhunjunwala: What happens to Force NXT, Sir?

Ankit Gupta: Force NXT we are not making any changes, it remains as it is, since Force NXT did not contain any name of Dollar on its packaging anywhere, we never used to use Dollar Industries or Dollar Logo on Force NXT, so Force NXT remains as it is.

Prerna Jhunjunwala: Sir, my next question is on the strategy to this distribution channel, the pilot project that you are going through, what is the status there and how do we define our achievement there in the change in the distribution model that we have gone through?

Shashi Agarwal: Prerna, we have already started the distribution channel, this particular project which we are working under increasing the region range in the market, so it definitely slowed us down in April because of the entire country being under lockdown, things were at standstill, but nonetheless we tried working over the telephonic system that the teams, the TSO and the telecallers backend were trying to reach the retailers wherever it is possible through the telephonic calls, take orders and we were trying to make as much as delivery from the nearest points to them to the extent possible, that is what we were trying to do, so now once we are opening up, people have started moving, travelling, the supply chain system has resumed, this is something which we are again getting back on track for this particular project, so we have started our rollouts in Maharashtra, Gujarat, Telangana, apart from Karnataka and Rajasthan which we are initially doing, so here we are hopeful, definitely we still have a limitation of at times you have containment zones to see, at times you have supply chain issues and stuff like that, so within those limitations, we are trying to speed up as much as possible and the target is to cover at least finish up the Karnataka and Rajasthan States and also at least 50% coverage in terms of these three States which we have rolled out, started the rolling, so hopefully let us see by December we should have some traction there.

Prerna Jhunjunwala: Last question is on cash flow, could you please help us with the working capital cycle, how things have moved between the two quarters, because what we hear is there is significant improvement in working capital cycle in the quarter?

Shashi Agarwal: Prerna, the working capital cycle if I really look at the, there are two ways to look at it, the absolute numbers and in terms of days. If I really talk about in terms of days definitely the numbers would not look good because as opposed to 90 days of operating or the revenue cycle is only for 50 days, so we are talking about comparing a revenue of 50 days as opposed to calculating on a 90-day number, so definitely the numbers will increase there for sure, but if you look at the absolute value terms, my debtors have come down, my inventory has definitely fallen down because currently the production is also like not at a 100% capacity and even my creditors definitely because they are certain stretch there in my creditors term. Overall, if I have to look at, I take it into my 50 days calculation if I have to do that, I would say I have been better than previous quarter, I definitely have some days, but calculation on 90 days definitely it looks bad.

Moderator: Thank you. We have next question from the line of Saurabh Budhia from Ernst & Young. Please go ahead.

Saurabh Budhia: Good Afternoon, thank you for the opportunity for the question, I have one question wherein which is around, when I was looking at the financial performance for Q1 FY '20, I see material margin for around 54.8% during Q1 FY '21, however, during the same quarter Q1 FY '20, it was around 58.8%, so I generally want to understand the reason for such decline in material margin, is it because of the increase in the channel margin that we have offered to our channel partners or is there a reduction in our selling price or it is an increase in RM cost during the quarter?

Shashi Agarwal: Saurabh, first of all I would just want to talk about some basics out here in terms of one line item which definitely does not come into part of cost of material consumed, but is also important, this is the subcontracting charges because a lot of work in progress sits with my jobbers who are there and which is actually right now if I really have to look at my gross margin, I should be taking my cost of material consumed and subcontracting charges to gather and then arrive at an operating cost, but since as per the Accounting Standards we have to treat this as a separate line item that is the reason it is there, so if we really look into these three items that is my change in inventories of FG and WIP, cost of material consumed, and the contracting charges, if you put these three together you will not find that there is much of a change in shift for the simple reason because there are lot of times the WIP might change at various levels in which they are, there would also be impact of my closing FG that which would be there as well, so all these three items would have to be I would say that we should consider because we have a longer work-in-progress cycle like we have many stages to be considered like you have a processing segment, you have a cutting segment, then you have a stitching and packaging processes, all this four-five interim processes take some time and hence at times these things have an impact on my complete operating margins. Overall, as you rightly said that there would definitely be changes in the cotton prices or the yarn prices which would impact my cost of material consumed as well, so all these three factors taken together you will see that the difference is not much there.

Saurabh Budhia: So is there any change in our channel margin during this quarter as compared to quarter last year?

Shashi Agarwal: Sorry, Saurabh, if you just want to, I could not just follow you in the end, you are talking about the channel margins if there has been any change?

Saurabh Budhia: Yeah, is there any change in channel margins during Q1 FY '21 as compared to Q1 FY '20?

Shashi Agarwal: No changes, Saurabh.

Moderator: Thank you. We have next question from the line of Amnish Aggarwal from Prabhudas Lilladher. Please go ahead.

Amnish Aggarwal: Couple of questions, one being that you said sometime back that the realizations on regular segment is Rs. 40, so what could be the realization in the BigBoss segment for the company, that is one? Secondly, how is the demand scenario panning out, do you see the trend of downgrading by the consumer sustaining over the coming few quarters?

Ankit Gupta: In BigBoss we saw a growth in our ASP from 65 to 68 like which is Dollar Man I would say where it contains our Athleisure as well, the ASP in the BigBoss segment has been Rs. 68. Now, regarding your second question, we do not see that the consumer is down-trading because maybe they are not upgrading their products or not, so a BigBoss consumer will not be buying a Jockey, but at the same time he will not be buying a Lehar also, maybe he can

postpone his purchase for two months or let us say maximum three months but he cannot do away with our product because it is kind of a basic necessity that people want, it is the second scheme of the people, so we do not see any down-trading by the consumer, but yes there can be a deferment of the purchase.

Amnish Aggarwal: My second question is on the trade inventory and receivables, so has the company extended any credit to the consumers in general, you can say the innerwear industry, is there now an increased tendency to provide more credit or more incentives to the trade to push sales?

Shashi Agarwal: Rather I would say that it is going the other way round Sir, because right now generally it is like the buyer's market, but this time it is the sellers' market because of the limited production and the limited availability of the products, the company and basically this line goes for the entire industry Sir as I speak, so now the company has the power to pick and choose the suppliers as they want to and in the process we have actually realized and liquidated most of the debtors which were standing there for quite some time, so this was an opportunity blessing as far as the debtors are concerned, so definitely the company has come down overall in numbers in terms of debtors. Inventory as we are speaking as I told you that the production is not coming at a very, very full scale, we are still operating at 70% to 80% of the capacities, I would say the inventory is also not too high, so the working capital cycle definitely seems better as compared to what it was in the previous quarter, that is how I would look at it, so creditors, yes, the creditors have not been much of an, I would say there is more of similar lines, there has not been much of a change. We did stretch our creditors a little, we were able to do that, so that has also given a positive impact of working capital cycle.

Moderator: Thank you. We have next question from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna Jhunjhunwala: Madam, you have already answered my question to some extent, but would just like to understand how the inventory and the supply chain for the industry, has competition increased somewhere or decreased somewhere, could you give some insight over that area?

Shashi Agarwal: Competition, Prerna, we do not really have the numbers in terms of the inventory is concerned, we do not have that access and numbers there, but overall I would say that this similar situation would have been with all the companies because the production was limited and April was absolutely very, very limited production or no production kind of scenario. By the time people resumed production in May, half of the May had gone, so the inventory is, the supply chain was also stopped, basically the logistics was not there, even if you wanted to, you could not supply to. The trucks were stopped at different places when all of a sudden the announcements came in terms of the lockdown was started in March, so these issues and concerns were there across. How have individual companies have tide over these particular situation, it definitely differs from company to company. For our side, definitely we have been able to rationalize our inventories in terms of the raw materials and FG both at the same time. For the competition, I

will not be able to comment but I can only say that yes, it should be similar to what we are seeking right now until and unless they have taken some other initiative.

Prerna Jhunjhunwala: Madam, any light on the regional competition because there is lot of regional competition also in the industry, so are they facing any problems which can give advantage to you or can gain market share there or any light on that side would help?

Shashi Agarwal: Prerna, just want to understand, what competition are you saying?

Prerna Jhunjhunwala: Madam, regional competition not on the scale of the larger one, but the regional competition because innerwear has lot of regional competition also in the market?

Shashi Agarwal: Prerna, I would say that the regional competition again the similar cases that each individual companies or the players how they have worked out during this lockdown again, they would have little more difficulties as compared to companies which are bigger and larger in size, but nonetheless having said that, there products are still there on the shelves, we see their products maybe speed and the rate of production which they are continuing might have decreased, but to comment on the overall share, it is like talking very vague, because we do not have any such surveys conducted or certified numbers to talk about, at least for the bigger companies when you see their quarterly results, you can estimate some numbers and talk about those numbers. For regional players, it is a little difficult to comment, but definitely the products are there on the shelf, people are still doing business running their products are available on the shelf, I would say that yes they are very much operational to the extent in the capacity of their production is something very difficult to determine, maybe another quarter is what we would be able to understand that what was the impact, have they really started vanishing because they would not sustain the pandemic, the operations could not continue, their fixed expenses have let them off, or they have scaled themselves down, maybe another quarter also is the time when we can see the shares in the retail counters and then we can estimate it.

Prerna Jhunjhunwala: Madam, last question would be the demand in the Winter wear, how is it looking and what do you expect for the coming quarters in the Winter wear segment, any order book insight would also help?

Shashi Agarwal: Winter wear is definitely looking good because the company starts taking their booking for the Winter wear from August itself and by September we try to dispatch the product from the September onwards, so as of now the demand looks pretty good because it was good last year as well, the stock in the inventories were cleared both all the channels in the company level, so we definitely look forward to a good winter.

Moderator: Thank you. We have next question from the line of Riddhima Chandak from Roha Asset Managers. Please go ahead.

Riddhima Chandak: Good Evening Madam, thank you for the opportunity, so currently I just want to know that what is the situation as of now for the labor and logistic situation as of now?

Shashi Agarwal: Riddhima, logistic is not an issue at all definitely, labors also they have when we started resuming mid-May-June, there was definitely some issues, but we have our active units in Tiruppur so the captive units we did not face much of a problem for the simple reason that the labors we actually provided shelter and logic to the labors there in our Tiruppur plant, so they were there, so they did not go back to their native places, we did not have issues of people migrating from out there because they were well taken care of. As far as Kolkata is concerned, again here initially definitely it was a little bit of challenges which we faced, but then again we have taken measures. We have people coming back again to work and they are there very much. When I say that we are working at 80% capacity just because the entire raw material and the social distancing norms which we need to maintain and other criteria which we have to follow issued by the Government, that slows down your entire production channel, that is the reason we can still do a bit another 20% and have that demand and we can garner those benefits, but apart from that, there is not major issues as far as labors are concerned.

Riddhima Chandak: Okay, in terms of demand, so in the previous call as you stated that there could be lot of pent-up demand going forward, but it would be normalized, it would take some time to get back to the pre-COVID era, so now after the Q1 is over, so what are your expectation that, in what time period it could reach to the pre-COVID era?

Shashi Agarwal: We are still in the COVID are Riddhima, so we have to reach out of the COVID era, first of all we need to come out of the COVID era, so Riddhima, having said that we still know that Maharashtra is yet to come out of the pandemic situation, it is getting worse day by day, the number of cases is increasing every day. This is something which we have started working, we have resumed working, but most of our, I am sure we are working from home, it is still that a lot of people are scared to move out of their premises though they have to because they are taking the safety and precautions, even the retailers they are opening up, but again they have to follow the guidelines issued by the Government, the local guidelines, some areas are still in the containment zone like Eastern India, like Bihar, Jharkhand, Orissa, their situations are not very good there as well, so to reach a pre-COVID era, it is going to take some time, Riddhima, it will not happen overnight, but having said that I would say yes, the demand should look good because we are looking forward to good winters. Q2 always as in history it has been lower selling quarter for everyone, so let us see how it really pans out, but I do not think there would be majorly something to worry about in terms of the upcoming demands are concerned, let us see how this pans out because it is all depending on how soon we will get the vaccination, how soon we get a cure or how soon we are able to come out of it because still when you walk into the mall, you walk on the streets, you see that people are, there is difference in everything, there is always a difference, the consumer sentiments are poor. People are fearful of losing their jobs, people are fearful of their incomes, having said that but still it is all moving on and we are hopeful that it should work because this is basically our commodity is not something

which you can do away with, as Ankit said right now, that this is something you need, you might defer a purchase, but you cannot do away with the purchase.

Riddhima Chandak: Just a clarification, so are we facing any issues regarding the unavailability of the stock at the channel level as of now?

Shashi Agarwal: Not really, we are rationalizing our supply to meet the distributors to ensure that the stock is available at all the DD points, so that we are not losing sales.

Riddhima Chandak: What is the volume number this quarter versus Q1 last year FY '20?

Ankit Gupta: In Q1 this year the volume in terms of number of pieces was around 3 crores which was 3.72 crores in Q1 last year.

Moderator: Thank you. We have next question from the line of Anthony Joy, an investor. Please go ahead.

Anthony Joy: My first question is do you source any raw material from China, if so is there any plans to look for a new supplier?

Shashi Agarwal: Anthony, we do not have any raw material which is being imported from China, none of them.

Anthony Joy: My second question is what is your market share currently in the organized market in India?

Shashi Agarwal: Approximately 15%.

Anthony Joy: How is the upcoming festivals sales are looking for Dollar?

Shashi Agarwal: Definitely good, because as I have spoken, the second quarter is generally a dull season, is dull quarter, overall a dull quarter as compared to the four quarters, and post that you have poojas and lot of festivities coming across and if we are able to tide over it, hopefully, we should be looking for a cheerful festivity season and people would be more than excited this time if things go towards normalcy and definitely we will see actually a spur in terms of a bigger rise in terms of sales is concerned.

Anthony Joy: Madam, what is your sales turnover in terms of India to foreign countries like Gulf?

Shashi Agarwal: Generally, we have 7% to 8% of sales that goes into the Gulf countries, but this quarter again the export was only 4% because you can understand that the numbers that the entire supply was stopped because of the current such pandemic situation, it is a little difficult right now.

Anthony Joy: Do you have any plans to reduce your interest cost?

Shashi Agarwal: Yes, absolutely, so actually our interest cost has gone down, but the only reason it has, I would say you see as a percentage it is a little higher because your base number, the revenue numbers

are really small and towards the end, we had to increase our working capital limits right now, so otherwise our rate of interest right now is very, very competitive and the plan is also to take it further down and to the extent possible, minimal usage of my credit limit.

Moderator: Thank you. We have next question from the line of Saurabh Ginodia Saurabh Ginodia from SMI FX. Please go ahead.

Saurabh Ginodia: Thank you for the opportunity, in your opening comments you made that there was a significant reduction in the advertisement expenses in Quarter-1, so just wanted to understand the ad budget for full year?

Ankit Gupta: Ad budget for the full year we are hopeful that we will be able to close around 64 to 68 crores, which would be less than what we spent last year as well. It really depends upon the revenue that we go through because like in Quarter-1 we had just 50 days of operation and let us see how winter pans out because in third quarter we used to spend a lot in the advertisement due to the winters like the Dollar Ultra, Dollar Winter care that we had.

Shashi Agarwal: Overall, we will try to keep in this time we will go by the percentage to revenue rather than an absolute number, we will try to cap it at 5% to 6% of the revenue?

Saurabh Ginodia: You also mentioned that there has been some expenditure related to rebranding which we have done, so is it possible for you to quantify that number?

Shashi Agarwal: That sits in my advertisement expenses that is what we have done, so whatever the expenditure related to rebranding exercises were concerned that is the hoardings and the TV advertisements or the jingles on the radio stations etc., they are all sitting in my advertisements because these are advertisement expenses.

Saurabh Ginodia: Some trends and outlook if you can share on the yarn prices?

Ankit Gupta: The yarn prices have been stagnant right now, not much of a traction over there.

Saurabh Ginodia: Do you expect the yarn prices to be stable for the rest of the year?

Ankit Gupta: More or less similar kind of a range, maybe +/-1% or 2%, not much of a difference.

Shashi Agarwal: Saurabh, I would like to add in here is that the fluctuations on a yearly basis, if we really look at a full year level, the fluctuations are not very much there, it just ranges between, as Ankit said, a percent or two, quarter to quarter it might vary, but overall at 12 months level the difference is not much maybe a percentage or two.

Saurabh Ginodia: In the current quarter, exports have obviously come down, but for the full year will you be able to reach the last year's asset turnover?

- Shashi Agarwal:** It will completely depend on the policies of the countries which they execute, if the country allow the imports in those, it will depend on the policies. If they allow imports in their country, the Government allows the imports in their country then definitely we will see we would want to export as much as possible, this is something very subjective, right now it is too early to comment, but overall we would want to achieve the 7% to 8% of exports which we do on a yearly basis.
- Moderator:** Thank you. We have next question from the line of Sanjeev Goswami from Fractal Capital. Please go ahead.
- Sanjeev Goswami:** Madam, can you provide some details on the distribution infrastructure that we have in terms of number of distributors, number of retail touch points, and also give some color in terms of what percentage of sales that we do with cash to retailers?
- Shashi Agarwal:** The number of retail touch points is around a lakh of retailers for us and around about (+950) distributors we have currently in the system, and I did not get your last question, what did you want to understand there?
- Sanjeev Goswami:** What percentage of sales is on cash-and-carry basis?
- Shashi Agarwal:** Cash-and-carry basis is basically I would say that currently as a policy, the industry runs except for the leaders, it is majorly people have a credit facility given to them, I would say it is all on most of credit terms, like we have different credit terms for different channels, but it is all that we have some credit terms to be given to the distributors or the channels.
- Sanjeev Goswami:** Perfect, and have the credit terms changed during the COVID times and are we trying to provide some kind of credit relief to the distributors and retailers so that we can actually pick up new stock?
- Shashi Agarwal:** The credit terms have not changed per se, Sanjeev, but the thing is that I would put it this way that we have been overshooting our terms with the distributors in the past as well and actually this was right now the time for us to get our realization, not that we are not partnering with them, we have partnered long enough when the GST happened, when there were other crisis, so right now we are actually as we said that we have to rationalize our supplies or the orders has to be given to evenly spread across the country to all the dealers so that the material is available at all the retail counters, so for that we definitely have, are insisting on clearance of their old use, which is very, very important for us and we have been able to do that. Retailers is something is being taken care by the distributors and we are asking them to help and support them as to the extent possible, but again credit facilities to the retailers is a prerogative of the distributors how they want to work that out, that we have no or little control there.
- Moderator:** Thank you. We have next question from the line of Manoj Shroff, an investor. Please go ahead.

- Manoj Shroff:** Madam, just wanted to know in June and August have we reached 70% to 80% of pre-COVID of sales?
- Shashi Agarwal:** That was in production lines you are talking about, Manoj?
- Manoj Shroff:** No, sales, Madam.
- Shashi Agarwal:** June-July, 70% to 80% of July is definitely there, as I told you the second quarter is a dull quarter for this industry and as a practice most of the sales happens in the last month of the quarter, so July is not much of a problem right now, we do not see much difficulty in terms of achieving 80% that is already been taken care of.
- Manoj Shroff:** Some of the companies like Rupa has actually had a stronger Q1 versus Q4 and in other sectors people have reached 90% of their pre-COVID, so can we say June was 90%, is that fair to say?
- Shashi Agarwal:** June already the numbers are out Manoj, if you are talking about July or you are talking about June?
- Manoj Shroff:** I am talking just for the June, the 30 days of June?
- Shashi Agarwal:** Absolutely, the June was something which helped us climb there, so June was very strong for us as compared to the last three months, April was completely closure, May was 15 days gone there so whatever sales these numbers you see is towards the, some of beginning of May and then June, yes, definitely the June was very stronger and we overachieved the June as compared to the last June '20?
- Manoj Shroff:** Got it, and if you can share any absolute in your working capital, can you share in absolute terms?
- Shashi Agarwal:** Sorry, this quarter is basically just about the P&L being published, so we will not be able to talk about the balance sheet here.
- Manoj Shroff:** Got it, and maybe year-end do we have a number in the debtor days what would we like to aspire to given you said it is a seller's market?
- Shashi Agarwal:** Yes, I have taken this question Manoj, but I will just repeat it again, so in absolute numbers my debtor days have come down. If I look at those numbers, the absolute numbers have declined, but since I would be calculating the debtor days as compared to 90 days whereas the operations were or the sales were just for 50 days, the number would spike definitely compared to the previous quarter. Again, if I want to for argument sake if I take that as a 50 days working, my debtor days have always been the number of days.
- Manoj Shroff:** Would we know like a large chunk has come down or it is a very marginal change?

- Shashi Agarwal:** It is more than a marginal change, but not a chunk as well.
- Manoj Shroff:** Thank you so much, all the best.
- Shashi Agarwal:** Thank you.
- Moderator:** Thank you. We have next question from the line of Akhil Parekh from Elara Securities. Please go ahead.
- Akhil Parekh:** One question on the Athleisure segment, we introduced Athleisure during the quarter, wanted to know is it for both men and women and how are we pricing it?
- Ankit Gupta:** Athleisure has been launched in Dollar Max and Force NXT brand last year and we have some track pants for women in Dollar Missy, but in terms of ASP, I would like to say that earlier in Force NXT we used to have an ASP of around of Rs. 117, which went up to Rs. 155 just due to the Athleisure segment, so the MRP ranges somewhere between 700 to 1200-1300 in terms of MRP and if we talk about BigBoss, the MRP ranges from 499-500 to 900.
- Akhil Parekh:** If I repeat, you said 700 to 1200 for Force NXT and around 500 to 900 for BigBoss, right?
- Ankit Gupta:** Right.
- Akhil Parekh:** Would the margin different for us in Athleisure segment versus our poor product portfolio, so if we increase our contribution from Athleisure segment by the end of this year, if we see a margin expansion is there a possibility of that?
- Ankit Gupta:** Athleisure is still a small chunk of our total sales, it is just 5% of our total sales in Q1 this year and last year it was not even 5%, it was just around 2%-2.5% of our total sales, so it will not bring in major change in the margin sector although the Athleisure category has a better margin than the respective innerwear that we talk about like for BigBoss, innerwear at the EBITDA level we have around 10% to 12% of EBITDA, but Athleisure would fetch around 14%-14.5% EBITDA and similarly Force NXT also if the innerwear is giving us EBITDA of around 13%-14%, Athleisure would be giving us around 16 odd percent, so yeah, there is a difference in margin, we have a better margin in Athleisure, but it will not contribute much to the overall margin at the end of the year.
- Akhil Parekh:** Sure, and would it be fair to assume that we will be doing slightly more margins with the channel partners to Athleisure given that it is relatively a newer category for us, so brand wise positioning is passed on our poor portfolio that is innerwear, so would we be giving more margins over there in the Athleisure segment to the channel partners?
- Shashi Agarwal:** Sorry to interrupt, but actually the word is not very clear from your side?

- Akhil Parekh:** I will repeat my question, I am saying since Athleisure is relatively a newer product category for Dollar so in terms of the channel margin, is it going to be different than what we offered to our channel partners for innerwear category?
- Ankit Gupta:** Yes, since Athleisure is an outerwear, so the margin structure will change as compared to the innerwear sector like in innerwear if you give around 35% to 40% to a retailer, in Athleisure we can do away with 34%-35% to our retailer, but the distributor margin would be higher in Athleisure and less in the innerwear because innerwear has a volume business, but Athleisure is not a volume business, it is a margin-oriented business so a distributor would want a better margin on it, but overall if you see the realization is almost similar at a company level, but if you see the breakup of the margin like in terms of retailer and distributors, it would be very different what we given in innerwear.
- Akhil Parekh:** Got it, just one last question, we discussed some of the inventory level from the company perspective, how was the inventory looking from a distributor as a retail perspective for our brand?
- Ankit Gupta:** At the distributor point, we see a decrease in inventory level as well, but at the retailer level it is very hard to grasp because some of the areas are still in lockdown, there are retailers who have not been able to open up their stores, but there are major chunk of retailers who are able to clear up their stocks by selling it off, so at retailer level it would be very hard to tell whether there has been a stock repletion or not, but at a distributor level there obviously has been like inventory shortages with them and that is why a lot of demand in the Q1.
- Moderator:** Thank you. We have next question from the line of Ankit Pande from Quant Mutual Fund. Please go ahead.
- Ankit Pande:** Thanks for taking my question, the question would be around the pricing element in this quarter at 30 million pieces, so we have the volume decline of 20% whereas revenue has declined over 30%, could you talk about the pricing itself mostly down-trading so other issues because with respect to the industry nobody seems to be more adverse there?
- Shashi Agarwal:** You have to repeat the question, the voice is not very clear like buzzing out here, so what I could understand is that questions relating to, there has been a decrease in terms of the volume and the value is concerned, you want to understand the overall ASP of the company, is that correct?
- Ankit Pande:** Well, I would like to understand what has led to this incremental decline between the revenue decline and the volume decline?
- Shashi Agarwal:** Revenue decline?
- Ankit Pande:** Yeah.

Shashi Agarwal: Revenue decline, the company operated just for 50 days as compared to a complete quarter, so there has been a revenue decline there because we could not operate for 40 days starting of full of...

Ankit Pande: I mean there was a difference in **63:13 (Inaudible)** the volume is 20%, am I right 30 million versus 37 million and the revenue decline is 32% more adverse so is it just the mix and nothing to read into this particular quarter or is there a more sustained pressure on realizations?

Shashi Agarwal: The volume and the value decline is definitely, the mix has changed, in previous quarter if I have to look last year the same quarter if I have to look; I had 46% coming from my BigBoss itself whereas in current quarter, I just have 43%. My economy range of products we had in mix of 35%, they contributed 35% to my overall revenue whereas this quarter I have 44% coming out from economy range of products. Missy contributed to about 9% for me last quarter in the last year, whereas this quarter we just have 6% coming from this, so definitely my entire mix has changed has gone haywire like for my BigBoss I have seen an decrease in my Missy products because the leggings were, if I have to look at my mix in terms of the products sold in Missy ranges, the intimate wear sold more as compared to the, leggings were not being sold much. Like for example socks, the schools did not reopen, they just basically April-May is the time when children move from one class to another and they buy a pair of socks which did not happen because the schools have not reopened, there has been no change their and like women are not moving out in buying leggings right now, it is only the intimate wear which is very necessary that they are going out and buying or ordering online, things are happening that way, so the consumer choice of purchase has changed a lot, like people are being more kind of Bermuda's and track pants because they are working more from home, like they really do not need to be in a formal dress environment kind of scenario if they are working from home. If they are not getting onto video calls, maybe just wearing a tees and track or Bermuda and do their work, so there has been change in consumer preference and style and habit of one, this is what I would understand would be interest in temporary scenario because of the current pandemic and the restricted movement of people and the consumers. Going ahead as things normalize and we see ourselves coming out from this pandemic, I am sure that we have to restore to the same old plan.

Ankit Pande: I understand there has been a mix change, and another way of asking this is that the has the company reduced the label prices and all of its products?

Shashi Agarwal: I am not able to get your question, it might be the moderator can repeat out the question for you I would be able to answer because the voice is echoing and I am not able to understand the question?

Ankit Pande: Have you decrease the label prices of the products?

- Shashi Agarwal:** Prices of the product they have changed a bit definitely, some of the products the price increases, the company has taken a price increase on the products, that has been passed on to the channel which came in fact may be towards the beginning of June.
- Ankit Pande:** Can you please give me the split of your channel mix, GP, MP, and online?
- Shashi Agarwal:** My channel mix percentage contribution comes majorly from, it is 95% coming for my traditional channels which I have my revenue, 2% this time is my online sales that is modern retail, and I had a 4% of export.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to Mr. Akhil Parekh from Elara Securities for closing comments. Over to you, Sir.
- Akhil Parekh:** Thanks. On behalf of Elara Securities, I would like to thank the Management for answering all the questions very patiently and would like to hand over the call to you for any closing remarks.
- Shashi Agarwal:** I would just want to thank the participants who have been very patient in asking questions and listening to our answers, thank you so much, have a great day, stay safe back home.
- Moderator:** Thank you very much. Ladies and Gentlemen, on behalf of Elara Securities Private Limited, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.