“Dollar Industries Limited

Q4 FY25 Earnings Conference Call”

May 16, 2025

MANAGEMENT: **MR. ANKIT GUPTA – PRESIDENT – MARKETING – DOLLAR INDUSTRIES LIMITED**
MR. GAURAV GUPTA – VICE PRESIDENT – STRATEGY – DOLLAR INDUSTRIES LIMITED
MR.AJAY PATODIA–CHIEF FINANCIALOFFICER – DOLLAR INDUSTRIES LIMITED

MODERATOR: **MS. DEEPALI KUMARI – ARIHANT CAPITAL MARKETS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Dollar Industries Limited Q4 FY '25 Earnings Conference Call hosted by Arihant Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepali Kumari. Thank you, and over to you, ma'am.

Deepali Kumari: Hello, and good afternoon, everyone. On behalf of Arihant Capital Markets, I thank you all for joining into the Q4 FY '25 Earnings Conference Call of Dollar Industries Limited. Today from the management, we have Mr. Ankit Gupta, President, Marketing; Mr. Gaurav Gupta, Vice President, Strategy and Mr. Ajay Patodia, Chief Financial Officer. So without any further delay, I will hand over the call to the management. Over to you, sir.

Ankit Gupta: Thank you, Deepali. Good afternoon, everyone, and a warm welcome to you all. Thank you for joining us today for the Dollar Industries Limited Q4 FY '25 and Full Year FY '25 Earnings Investor Call. Gaurav and I will walk you through the business and operational highlights of the quarter and the full fiscal year, while our CFO, Mr. Ajay Patodia will share the financial metrics.

Before we delve into the financial results and operational highlights for Q4 and the full fiscal FY '25, I want to extend our sincere gratitude to our shareholders, analysts and stakeholders for being with us today. Your ongoing support and engagement are invaluable as we navigate the opportunities and challenges in our industry. Also, I would request and draw everyone's attention to the safe harbor statement in the earnings call presentation. I request each one of you to go through the same before the Q&A starts so that you are aware of the same.

In Q4 FY '25, our operating income stood at INR549 crores, representing a robust growth of 9.8% year-on-year and 44.2% quarter-on-quarter. For the fiscal year 2025, operating income reached INR1,710 crores, reflecting a steady year-on-year growth of 8.8%. Volume for FY '25 grew by 4.6% over FY '24.

I'm pleased to share that our premium segments delivered exceptional performance. Dollar Protect, our rainguard segment, recorded an impressive volume growth of 40.3% year-on-year basis. Force NXT registered a 13.4% year-on-year volume growth, while our thermal segment grew 21% in volume over the same period.

The high-margin and premium categories have contributed about 29% to our overall revenue in FY '25. This result reflects our strategic focus on driving growth through premiumization and increasing the revenue share of high-margin products, which is positively impacting our average selling price. Further, stable raw material prices will help us sustain and grow our margins.

Additionally, in FY '25, advertising expense was around INR100 crores, keeping in line with our annual target of about 6% of our top line. Out of the INR100 crores, 60% was contributed by ATL activities comprising of television and digital media and the remaining 40% by BTL activities consisting of retail branding. Thank you. Now Gaurav will provide further details on the business and operational highlights of the quarter.

Gaurav Gupta: Good afternoon, everyone and a warm welcome to all of you. We are pleased to share that our strategic investment in the G.O.A.T partnership is beginning to yield positive results. The joint venture with Pepe Jeans recorded a profit after tax of INR5 crores in FY '25, a significant turnaround from a loss of INR5 crores in FY '24. This strong performance was primarily driven by growth in the modern retail and quick commerce channels.

Aligned with our long-term strategic vision, we will be introducing a broader range of products under the JV in the coming months, further strengthening our portfolio and the market presence. Moving on to the channel-wise performance of Dollar Industries in FY '25. The modern trade and e-commerce channels demonstrated remarkable momentum with value growth of 63% and volume growth of 67% year-on-year.

These channels contributed 8.2% to total revenue as against 5.5% in the previous year, marking a 274 basis point increase. A key driver of this growth has been the quick commerce segment, which continues to open new avenues for consumer engagement. We remain highly optimistic about its future potential as well.

Additionally, modern trade and e-commerce channels continues to enable us in expanding our SKU offerings, contributing to higher ASPs and supporting our ongoing premiumization strategy. Region-wise, Northern India contributed to 47% to our total operating revenue, followed by the Eastern and Western regions with 24% and 21%, respectively. The Southern region accounted for 8%. We are also pleased to announce that the Board has recommended a final dividend of INR3 per share, resulting in a dividend payout of 18.7%, subject to shareholder approval.

Thank you all. I will now hand over the call to our CFO, Mr. Ajay Patodia to discuss the financial metrics.

Ajay Patodia: Thank you, Gaurav ji. Good afternoon, everyone and I appreciate you all joining us for our quarter 4 and full year FY '25 earnings call. Before we open the floor for the question-and-answer session, I'd 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 Ankit ji and Gaurav ji have already shared their perspective on the broader macroeconomic environment, I will now focus on our financial highlights for the quarter and the full fiscal year. In quarter 4 FY '25, our revenue from operations rose by 9.8% year-over-year, rising to INR549.13 crores. For the full year FY '25 revenue stood at INR1,710.46 crores, reflecting an 8.8% increase year-on-year basis.

Our gross profit for quarter 4 FY '25 came in at INR163.40 crores with a gross margin of 29.8% for the full year, gross profit reached to INR567.40 crores making a 12.2% year-on-year growth. The gross margin for FY '25 improved to 33.2%, up from 32.2% in FY '24, an expansion of 100 basis points.

Our operating EBITDA for quarter 4 FY '25 was INR56.52 crores with a margin of 10.3%. For the full year, operating EBITDA stood at INR182.67 crores, representing a 15.1% year-on-year increase. The EBITDA margin for FY '25 expanded by 59 basis points year-on-year, reaching to 10.7%.

Finally, our profit after tax for the quarter was INR29.25 crores, translating to a PAT margin of 5.3% and for the full year FY '25, PAT stood at INR91.04 crores. I would quickly run you through the brand-wise contribution for the quarter. Our Dollar man category consisting of Bigboss contributed around 39%. Our economic segment, Dollar always Lehar contributed around 39% for the full year and our premium segment, Force NXT contributed 4.2%. Our women's segment, Missy contributed 8%, our thermal segment, Dollar thermal contribute around 6%. Our rainwear segment, Dollar Protect contribute 2% and socks also 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 and e-commerce 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. We will now begin the question and answer session. The first question is from the line of Resham Mehta from Green Edge Wealth. Please proceed.

Resham Mehta: So the first one is what would be our guidance for FY '25, '26 in terms of revenues and margins?

Ankit Gupta: So without factoring in any price increase, we are very confident of achieving a volume growth of around 11% to 12% with an EBITDA margin in the range of 12% to 13%.

Resham Mehta: Okay. And so what exactly is going to be leading to this EBITDA margin expansion? In the past, you have spoken about one lever, which is A&P spend. So that I think we were planning to cap it -- cap that number in absolute terms. So would that be one of the drivers? And if yes, what would be the A&P number be?

Ankit Gupta: So overall, this year also for FY '26, we are capping our advertisement expense somewhere around 5% to 5.5%, which will be around INR90 crores, again, this particular fiscal. So that will give us 1% support in terms of increasing our margin level. Plus there will be a rationalization of a lot of fixed cost, and we are also working towards reducing our overall working capital. So that should release cash and decrease the burden of the financial cost that we are bearing right now.

Resham Mehta: And any guidance you would like to provide or comments on gross margins? Are we seeing any input cost pressure?

Ankit Gupta: So currently, the raw material prices are stagnant. And in terms of gross margins, we are currently on a yearly basis, we are standing somewhere around 33.5%. And there might be improvement of 0.5% or 1%, but yes, nothing more than that as of now.

Resham Mehta: Right. And also if we look at your presentation, the number of active Lakshya retailers, they've been flattish at around 74,000 over the last 2 years. So any particular reason why we've not been seeing traction there?

Ankit Gupta: So we are getting good traction in Lakshya project, and we are very optimistic about it as well. And with respect to the -- if you see that number of distributors that we have enrolled in this particular fiscal is in totality, our distributor numbers are 317 with respect to 290 last fiscal, like last March 2024. And currently, our active number of retailers is somewhere around 78,000.

Resham Mehta: Because your presentation mentions around 74,000, which is a flattish number. So that's where my question was, specifically for the retailers, not for the distributors.

Ankit Gupta: I'll get it checked, but currently, it is at around 78,000 right now. And the retailers are...

Resham Mehta: No worries. On the working capital, right? So see, to reduce the debtor days, so we are at around 120 days, and I think we have outlined the aspiration to reach at around 80 to 90 days, right? Lakshya, of course, a lot of -- a lot about it has been spoken. But the other lever, as I understood, was the dealer financing, right, to reduce the debtor days.

So how much of a push is this dealer financing going to provide in terms of reducing debtor days? So let's say, from -- the journey from 120 days to around 80 days, how much of that would be contributed by the Lakshya project that we have undertaken and how much of that would come through the dealer financing?

Ankit Gupta: So with respect to Lakshya project, so currently, our overall company level debtor days, it's around 111 days. So from Lakshya distributors, it's somewhere around 85 days and -- 80, 85 days. And for non-Lakshya distributors, it is coming somewhere around 120 days. So we are very optimistic that we'll be able to reduce it with the help of distributor financing scheme as well as the more and more distributors getting enrolled into Lakshya project as well. Plus we are also tightening the non-Lakshya distributors in terms of the payment cycle and everything so that our overall debtor days gets reduced.

Resham Mehta: So why I'm asking this question is because see we've been talking about Lakshya for a very long time and demand has generally been challenged over the last couple of 1.5 years almost, right? So -- but despite all the efforts, the bottom line is that our debtor days, our working capital is not coming down.

So probably whatever benefits we are seeing from the Lakshya project are more than being offset by the non-Lakshya distributors, right? So ultimately, where do we see this number settling? And is there a firm time line that we have defined? And are we confident of achieving that?

Ankit Gupta: So am I audible?

Resham Mehta: Yes.

Ankit Gupta: Yes. So the thing is that when we started off with our Lakshya project at that point of time, if you see at our net working capital cycle, it was somewhere around 176 days that we were at, right? And over 4 years' time period, we have reduced it to around 160 days -- 155 to 160 days currently -- sorry, 156 days to be precise.

So this has been done like we got a real big help from the Lakshya distributors also through this particular project. And as I said that we are very optimistic about this project in the sense that -- at a company level, we saw a growth of around 9%. But for Lakshya distributors, we saw growth of around 13% overall. So it is giving us a higher growth, a greater market reach.

Our visibility in the market is much more higher, and the data we have been collecting is immense. Like we are able to use that data to reach our retailers and to actually target them on a brand basis as well whether which category retailer he is or he is able to keep the other category or not.

So in terms of increasing the reach and range, this project has helped us a lot. I know like as you said, the project has been going a bit slow, but we have to keep in mind the overall market scenario, industry challenges also that we have seen in the last 4 years, like the cotton price, the non-stability of the raw material prices and the overall competitive landscape that is changing day by day.

So all of these taken together, we have been working on a strategy right now. And yes, we are very hopeful and very optimistic that in years to come, we'll be able to reduce our overall working capital cycle to around 125 to 130 days.

Resham Mehta: Okay. Fine. I think the working capital question, probably I'll take it offline because my numbers do not show an improvement in working capital. So anyway. So the next one is on the Pepe. So what has been the full year FY '25 performance in terms of revenues and margins? And we have pivoted here to modern trade, e-com channels, right? So how has that helped us, if at all?

Ankit Gupta: Gaurav, do you want to take that question?

Gaurav Gupta: Yes, sure. So as you know, the joint venture company of Pepe was running into losses until last year. So what we have done in this year is especially we kind of focused mainly on the online channels and the e-commerce and the quick commerce segment and put all our efforts and energy towards that. And we have got great results in that and which led to a very good amount of profit that we have generated this year. And we focus on continuing to do so for even this financial year.

Resham Mehta: Would you be able to share revenues and margins for FY '25 and also the guidance if any?

Gaurav Gupta: The revenue stand at about INR34 crores and the PAT is at about INR5 crores.

Resham Mehta: Right. And lastly, so Lakshya project, how many other new states are we targeting for this financial year? And also, we were planning to launch kids wear in the 0 to 3-year age group. So is that something that's already been done?

Ankit Gupta: So with respect to the kids wear, we have given out samples to a few of the states like Punjab, Haryana and then some of the samples have been given out to Rajasthan also to check and get the feedback about the product. And this year, we'll be like manufacturing the kids 0 to 3 years products also and deliver to the market. And we are also making separate distributors for the same.

Resham Mehta: Okay. And Lakshya project being expanded to how many new states in this financial year?

Ankit Gupta: So this financial year, we have taken up the project to Jharkhand. Yes. So we'll be completing Jharkhand, which was started last fiscal year. So we'll be completing that particular state for time being.

Ajay Patodia: Other than this, we also completed the Odisha and Bihar in this year and also try to start the MP, Madhya Pradesh during this year.

Resham Mehta: All right. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Shreya Baheti from Anand Rathi Institutional Equities. Please proceed.

Shreya Baheti: So sir, my first question is on Project Lakshya. So sir, our contribution from Project Lakshya for FY '25 stands at around 30%, which was around 26% in FY '24. And sir, we had earlier guided that we are targeting around 65% to 70% contribution in FY '26. So how will that be possible like -- because we have to almost double the contribution.

And also on the distributor addition front in Project Lakshya, so we added around 27 distributors in FY '25, which was around 61 additions in FY '24 and 87 in '23. So sir, why is the addition so slow this year? And how will we reach our given targets?

Ankit Gupta: So as I told before also that we are very optimistic about the project, and we really want to be aggressive about it. But given the intensified competitive landscape, we are actively reviewing this situation. And getting our strategies changed a bit. So that's why you are seeing a slow paced addition of the distributor. But again, I'm -- we are very -- at a company level, we are very optimistic about the project. And sooner or later, we'll complete the Lakshya project pan-India basis.

Shreya Baheti: So for this year, will we be revising our target for the Project Lakshya contribution?

Ankit Gupta: Yes. So we'll come back with a definite guidance on -- with respect to the Lakshya project in the next call.

Shreya Baheti: Okay. And sir, also on the working capital front, like our working capital for this year is again slightly higher versus the last year, mainly led by a slight increase in the inventory and receivables. So sir, as you have said that with Project Lakshya and the distributor financing and everything, we'll be reducing our working capital days. So sir, can you put a time line to this? And by how much will we be reducing our inventory and distributors also -- sorry, debtors days?

Ankit Gupta: So this year, we are targeting to reduce our overall net working capital days by around 10 to 12 days. So this year, we'll be doing that. And in a couple of years, I think we should reach somewhere around 130 days.

Shreya Baheti: Okay. And sir, how much can you bifurcate that for the inventory and debtor days like what is our optimal level that we are targeting to reach?

Ankit Gupta: See, the optimal level for our industry, debtor days should be somewhere around 80 to 85 days. Inventory days will always be between 95 to 100 days. And with respect to creditors, it would be somewhere around 55 days.

Shreya Baheti: Okay, sir. And sir, what will be our capex guidance for FY '26?

Ankit Gupta: So no new capex is being planned. And for next 2 to 3 years, we are not planning any major capex in the company.

Shreya Baheti: Okay. So even if you look at the maintenance capex for whatever EBOs we would be opening, sir, what will be the capex?

Ankit Gupta: So for EBO, we don't require any capex because it is on FIFO model -- FOFO model. And with respect to repairs and maintenance, it would be very miniscule, INR5 crores to INR10 crores.

Shreya Baheti: Okay, sir. And sir, just one question, sir, what will be our revenue guidance for FY '26 and '27?

Ankit Gupta: So overall, we are very confident that we'll achieve a volume growth of around 11% to 12% this particular fiscal. But for FY '27, we'll come back with a more definite guidance in the next quarter or the next call.

Shreya Baheti: Okay, sir. And sir, just one thing. So this year, if I look at our gross margin, which is only COGS and not the subcontracting expenses, then sir, there has been a dip of -- in Q4, there was a dip of around 256 bps. So -- and if I consider the subcontracting expenses, then gross margin saw a dip of 86 bps. So sir, why is that?

Ajay Patodia: Actually, you have to count gross margin, including subcontracting because subcontracting is a part of inventory only. And the cost of inventory is adjusted with the increase and decrease of inventory. So without taking subcontracting cost, you don't -- you cannot calculate the gross margin.

Shreya Baheti: Sir, even if you take the subcontracting expenses, then also gross margin saw a dip of around 86 bps -- so sir, is there any particular reason for that?

Ajay Patodia: Due to -- in this quarter, there is some intensified competition in the industry, and we have to offer in this quarter extra incentive for our distributor to complete the target due to this. Otherwise, our other raw material cost is overall normal. And this is only for this quarter. We hope this -- we again get the increase in our gross margin in this quarter -- current quarter.

Shreya Baheti: Okay, sir. And sir, any -- sir, how is the demand that you are seeing in Q1 so far?

Ankit Gupta: So see, as always, like after the festival of Eid, there's a dip or it's a leaner period in the market. So April was a bit lean as usual. But again, we are seeing good demand from the market, like from Tier 2, Tier 3 cities, especially, there has been a good demand in the market and we are very hopeful about our projections for this particular fiscal.

Shreya Baheti: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Jegadees Sharma an Individual Investor. Please proceed.

Jegadees Sharma: Sir, I have two questions. So what is the contribution of premium in the last year FY '25? This year, you told it was 4.2%, right?

Ajay Patodia: So in Premium segment, we have Force NXT brand. So last year, Force NXT.

Jegadees Sharma: Yes, sir.

Ajay Patodia: So this year, we have the 14% growth in the Force NXT premium segment and the contribution amount around 4.2%. Last year, it is around 3.8% something.

Jegadees Sharma: I was listening to one of your -- for the same question I am talking sir, like I was listening to one of your competitor whose premium brand is growing and he was talking about saying that the premium brand is what the market likes and consumers likes. That is what he was saying actually. Why is it our contribution is less than 4% or 5% sir?

Ajay Patodia: Can you be louder?

Ankit Gupta: Can you please repeat the question? We couldn't hear it properly.

Jegadees Sharma: Really sorry sir. One of your competitors was saying that premium brand was growing faster in the range of double digit. But for us -- that too in the range of high teens. That is what he was saying. But for us, it is less, right? I was asking why?

Ankit Gupta: So our premium segment grew by 14.5% this particular fiscal, which is a double-digit growth. And there has been a good demand for premium products in terms of Tier 1 and Tier 2 cities that we are seeing. Our people do aspire for premium products now. And the kind of visibility we have created through Lakshya project or the kind of visibility, the marketing we have done for Force NXT and the new TVC coming in, we have seen a good advantage and demand in the market for the product.

Jegadees Sharma: Demand in the market and the product. Okay. My second question, sir. What is -- like we are doing almost like INR95 crores to INR100 crores advertisement, right? Do you measure what is that bringing back? Like you measure this much of advertisement is bringing this much of revenues or something like that or do you have any measure for that particular thing?

Ankit Gupta: See, we -- if you advertise in television or if you advertise in digital media, you get some kind of reports or information as to how many people are seeing that particular ad. And in digital media, it is much more detailed that how many people clicked on that ad and how many got converted into sales. But when you talk about BTL activities, it is more about awareness.

It is more about getting into people's subconscious mind and with the help of hoardings and the retail branding that we do, it is hard to ascertain that how those are getting converted. But it really creates a lasting impression on the consumer when we are visible at a point of sales thing.

Jegadees Sharma: Okay. So my question like same question on the things like we are...

Moderator: Sorry to interrupt Jegadees. Could you please speak a bit louder, actually your voice is very low.

Jegadees Sharma: Sorry just handset problem. So I'm asking like we are advertising through a lot of superstars, right, like big players in the thing. Are they -- do you think they contribute much to our revenue in the way of branding and all this thing?

Ankit Gupta: Definitely. Since majority of our sales comes from Tier 3 cities and rural part of India, people do relate to their idol who is like a celebrity face and it gives them kind of assurance with respect to the product and everything. Because in urban market, it wouldn't make much of an impact having a celebrity as a brand ambassador.

But yes, in Tier 2, Tier 3 cities, when we talk about, it do create an impression. It gives the assurance to our consumer that the product quality would be good and the overall packaging like we say in marketing whatever is seen get sold. So in the packaging, if you have a celebrity face endorsing your product, people do get convinced and influenced and do purchase it.

Jegadees Sharma: Okay. Sir, my final question is like, sir, it's a data keeping question. The question is like in H1, our trade receivables has gone down meaningfully compared to FY '24. But in FY '25 end which we submitted which we released trade -- really our trade receivable has gone back up by some percentage, right? Why is it? Sir like we thought it will come down meaningfully in this year, but it came back to the certain level. So what happened in the 2 quarters? Any problem?

Ankit Gupta: Sir, if you look at our debtors figures, it is at INR539 crores, right?

Jegadees Sharma: Correct.

Ankit Gupta: If you look at our sales for the quarter, it is at around INR550 crores. So it is basically the last quarter sales that we are talking about, which...

Jegadees Sharma: No, sir. I think I specifically say in FY '25, our receivable was INR493 crores and in H1 FY '25, it was INR485 crores, right? It has reduced. Now it came back to INR559 crores. Why is that? That is my question, sir.

Ankit Gupta: Right. So that's what I'm trying to explain you that in our industry, fourth quarter is very heavy for all the companies. It is basically the sale of the last quarter only. If you look at that in the way of debtor days, obviously, H2 is heavy and you'll see -- in an absolute amount, you'll see it growing, the debtor days. But if you look at that in a way that we have only covered our fourth quarter sales. So the debtors in an absolute amount is less than the quarterly sales that we did in Q4.

Jegadees Sharma: Fine sir. And our guidance on INR2,000 crores revenue in FY '27, are we on track, sir?

Ankit Gupta: So we really do aspire to be at INR2,000 crores revenue. But without factoring any price increase, we are very confident that the volume growth that we'll be achieving is around 11% to 12% for this fiscal year.

Jegadees Sharma: Okay. 11% to 12%, sir. One humble suggestion, sir. what happened is like we are over delivering, overpromising and under delivering sometimes. So please do that, as an investor, we think we want our company to achieve more. That's what we are. Just that is one suggestion, sir, that's from my side, sir.

Ankit Gupta: Definitely, definitely, sir.

Jegadees Sharma: Definitely. And another thing, we are not able to see multiple digital advertisement when compared to these things, right? So we are not into there. So if possible, give us a digital advertisement breakup also in the investor presentation. And also as I asked advertisement, what is the benefit we are getting from this because we are spending INR100 crores. It's like a huge money, but we are not -- our sales are growing in the single digit. That's the only thing I would give you as another suggestion, sir.

Ankit Gupta: Yes. So out of this INR100 crores, 60% we spend on television and digital media and...

Jegadees Sharma: Pure digital. I just want pure digital, sir, out of INR100 crores.

Ankit Gupta: Okay. So out of INR100 crores, around INR15 crores to INR17 crores, we have spent on digital media. And out of that also, we have spent a lot on YouTube, Instagram and Facebook.

Jegadees Sharma: Okay. So that is what I'm saying, sir, these are really less comparatively. That is the reason I'm saying because out of INR100 crores because if you are putting in a big celebrity people, it will like, people go only to certain packages. It will not go for all, that's what I'm saying because INR15 crores to INR17 crores out of INR100 crores is only 15% of the advertisement. That is my humble suggestion, sir.

Jegadees Sharma: Thank you so much, sir. All the best for the FY26.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please proceed.

Prerna Jhunjhunwala: So just wanted to understand the competitive intensity in the market, how it is -- how it was in FY '25? Are we seeing any improvement or deceleration over there in your product segment?

Ankit Gupta: Prerna, the thing is it is not sustainable to be never ending. So it will subside eventually, and things are getting better day by day.

Prerna Jhunjhunwala: But how is it -- I mean, is it similar to what it was in FY '25 currently? Or do you see improvement coming up?

Ankit Gupta: It will -- eventually, it will come, Prerna. Currently, I'm unable to comment on that right now. But eventually, it will subside.

Prerna Jhunjhunwala: Sir, what gives you confidence for this 11% to 12% volume growth and margin improvement? Because if competitive intensity continues to remain high, then despite subdued raw material prices...

Ankit Gupta: So that's why -- so last year, if you would have remember, we gave a guidance of 13% to 14% for our EBITDA, in which we were very confident that we would be able to achieve 13.5% kind of a thing. But that's why we reduced it by 1%. So we are giving a guidance of 12% to 13% in EBITDA, which is quite achievable because at that level of revenue, we are still -- we'll be still spending around INR90 crores in our advertisement.

That will give us around 0.75% to 0.8% saving plus a rationalization of our fixed cost that we have. So overall, from 11% to 12% to 12.5%, it's quite achievable given the current scenario as well.

Prerna Jhunjhunwala: And in this, what kind of mix improvement are you assuming to this number?

Ankit Gupta: So this particular fiscal FY '25, if you would see, we did a volume growth of around 4.5%. But the rest 4%, 4.5% came from value growth, which was not due to the price increase, but due to the change in the mix. So our high EBITDA products that we have, like we are very optimistic about Thermals because the channel does not have any stock for the thermals.

We are very optimistic about Force NXT as a brand, and it will definitely grow by around 20% that we are targeting this particular fiscal. Then we have Rainwear, which is growing really good, although the base is a bit small, but yes, we are getting good response from the market. So all these things taken together, there will be some changes that we'll see in terms of the volume mix also.

Prerna Jhunjhunwala: Okay. Understood. And in terms of working capital, what kind of improvement can we see in this year, FY '26?

Ankit Gupta: Around 10 to 12 days that we are targeting for this particular fiscal.

Prerna Jhunjhunwala: 10 to 12 days.

Ankit Gupta: Yes.

Prerna Jhunjhunwala: Okay. And in terms of markets, like South has started improving, it has -- but we don't see any major improvement in FY '25. Improvement in FY '24 was definitely visible due to Lakshya project. How do we see the market contributions changing with Lakshya project and your efforts in other markets apart from North and East?

Ankit Gupta: So in South India, we have taken Mahesh Babu as our brand ambassador for the South Indian market. And we have seen very good result in Telangana and Andhra states. But overall, the percentage is a bit muted in terms of the contribution coming in from South India. But we are very hopeful that it will start improving.

But to make a significant change in the percentage value, we require a lot of volume change that should happen because it's a low ASP product. So all the game would be on the volume -- so even if we get a 15%, 17% kind of a growth from South India, it won't really make a significant change in the percentage contribution coming in from South India, right?

Prerna Jhunjhunwala: Yes, right. I understand.

Ankit Gupta: But South India is ought to grow at a faster rate than the other parts of the country.

Prerna Jhunjhunwala: Okay. Okay. So are we expecting this growth to continue given that Lakshya has been set up for around 2 years for South India?

Ankit Gupta: Which growth? For the South India or Pan-India as a whole?

Prerna Jhunjhunwala: Yes. For South India. So in South India, are we expecting a little higher growth than overall?

Ankit Gupta: Yes. Yes. We are expecting a better growth in South India. And overall also for next 2 to 3 years, we are expecting that we should grow by like 12% to 13% minimum.

Prerna Jhunjhunwala: Okay. And how many EBOs are we planning to set up this year?

Ankit Gupta: So this year, we have changed some strategies in our EBO also. We are trying to open 7 to 10 EBOs, but it would be like a mix of FOFO model plus FICO model. So in FICO model, it's franchisee invested and company-operated model. So we are trying that also with, let's say, having a 1,000 square feet store on a high street. So we'll take that -- we are doing some sample stores for that, like three to four stores on FICO model, this particular fiscal, and we'll see how it does.

Prerna Jhunjhunwala: Okay, understood. Thank you sir and all the best.

Moderator: Thank you. The next question is from the line of Shaurya Yadav from Pinpoint Capital. Please proceed.

Shaurya Yadav: Yes. So sir, are we looking to add more products under Force NXT? And my second question is, are we looking to reduce our borrowings going ahead?

Ajay Patodia: We have only working capital loan from the bank. And we have the target by FY '27, '28, we convert ourselves in the net positive debt-free company.

Shaurya Yadav: And sir, are we looking to add more products in the Force NXT?

Gaurav Gupta: To answer this question, we have already launched socks in the recent time. That's been just about a year and the Activewear category also. So pretty much we have covered a lot of product segments already in this brand. So we do not see a lot of scope in adding any new category, but in the existing category, definitely more products that we always keep on adding every year to year.

Shaurya Yadav: And sir, what's the reason we are opening less EBOs in North India in comparison to South?

Ankit Gupta: So currently, all our EBOs that we have is in North India itself, like a few are in Madhya Pradesh, Gujarat, then we have in Delhi, we have a couple of stores. In East India, we have it in Orissa, Cuttack. Punjab, we have some. UP, we have two. Rajasthan, we have one. So we are well distributed. In South India, we have not opened any store as of now, but we'll be opening this four sample stores in South of India only, two in Telangana and two in Karnataka.

Shaurya Yadav: Okay, sir. Understood. Thank you.

Moderator: Thank you. The next question is from the line of Shreya Baheti from Anand Rathi Institutional Equity. Please go ahead.

Shreya Baheti: Hi, sir. Just a follow-up. So sir, the discounts and incentives that we gave to the retailers or distributors for the year, sir, can you quantify it as a percentage of sales for FY '25 and '24?

Ajay Patodia: It is around -- overall, it is around 8% to 9%.

Shreya Baheti: Sir, this is for '25?

Ajay Patodia: This is for '25.

Shreya Baheti: And sir, what was this in FY '24?

Ajay Patodia: For FY '24, it is around 7.5%.

Shreya Baheti: And sir, also this 8% to 9% that is for FY '25, sir, how much of this was in Q4? Did Q4 have the major part of it?

Ajay Patodia: Yes, -- due to Q4, it has increased by 1 basis point.

Shreya Baheti: Okay, sir. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Ankit Gupta: Thank you, everyone for joining the call. And if you have any other or further questions, you can get back to us. And thank you for joining the earnings call. Have a great day.

Ajay Patodia: Thank you.

Moderator: On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.