



**“Dollar Industries
1QFY2020 Earnings Conference Call”**

August 07, 2019



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Moderator: Ladies and gentlemen, good day and welcome to the Dollar Industries Q1FY2020 earnings conference call hosted by Ambit Capital Private 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Kanodia from Ambit Capital. Thank you and over to you!

Ashish Kanodia: Thank you Stephen. Good afternoon ladies and gentlemen. On behalf of Ambit Capital we welcome you all to the Q1FY2020 earnings call of Dollar Industries. We have with us Mr. Vinod Kumar Gupta – Managing Director, Ms. Shashi Agarwal – Senior Vice President – Corporate Strategy and Investor Relation and Mr. Ankit Gupta – Vice President, Marketing of the company. Now I hand over the call to the management for their opening comments, post which we can set the floor open to questions and answers. Thank you and over to you Sir!

V K Gupta: Good afternoon and a warm welcome to everyone on the earnings call of Dollar Industries Limited for Q1FY2020. You all know that in the recent years India has emerged as the fastest growing economy of the world. Several steps have been taken and we saw implementation of several groundbreaking and landmark reforms in all the segments. Several rating agencies believe that economy growth is going to take a dip before stepping up.

Previous fiscal year was not so encouraging for the economy, as you saw that private consumption expenditure declined, which prevents the growth. The primary reason for the drop is rural distress, tightening lending conditions, which is again due to the rising NPA in the banking sector and ailing health of financial institutions especially NBFC. The unemployment rate has also been very high. All these factors have led to decrease in expenditure at the consumer level. The availability of funds both in business channels and at the MSME level has slowed down.

We as a company have not been spared with the current economic condition and have seen the impact on the business both in terms of growth and working capital cycle. The numbers will be discussed in detail by Shashi. Having said that, the company is fully dedicated to increase its retail base to drag approach to the retailers in partnership with our distribution channel. The pilot has been successful, the company and we are now planning to scale it up in the southern part and is starting to test check the model for northern part as well.



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Apart from this the efforts put in by the company to capture the market is reflected in women's innerwear segment by our brand called Missy wherein we have recorded a growth of 18% this quarter. That is all from my side. I now handover to Shashi to talk about the financial performance of the company.

Shashi Agarwal:

Thank you Sir. A very good afternoon to everyone. The financial performance of the company for the Q1 FY2020. This quarter, the company achieved total revenue of Rs.234 Crores as against total revenue of 244 Crores in the previous corresponding quarter. The EBITDA for the quarter stood at 27.31 Crores as compared to 28.42 Crores on year-on-year basis. However the EBITDA percentage was similar at 11.68%. The PBT and PAT are at 19.96 Crores and 13.05 Crores respectively, which is 8.53% and 5.5%.

Brand breakup is as below: Bigboss stood at 46.5%, Missy at 9%, Force Nxt continues to be at 2%, Force Go Wear at 5% Champion 1%. The economy range of products stood at 36%. We supply to Pepe Jeans JV company, which is a meager 0.5%, but since the operations is there and we see good traction is we are experiencing there that is just a small amount. I now open the forum for question and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Himanshu Nayyar from Systematix. Please go ahead.

Himanshu Nayyar:

Thanks for taking my questions. Firstly just wanted to understand that this growth aspect a bit, so can you point out some specific reasons is it industry led, do you think the whole industry has seen a decline in this quarter or are there any company specific issues as well and if you could also tell us what is the volume scenario looking like for this quarter?

Shashi Agarwal:

First of all I would like to start by saying that this decline in growth or kind of a muted growth across is just not only company led or industry led it is more at the level of general economy of the country right now. Most of the companies, which operate on the distribution channel methodology and the companies which are into more of a B2C kind of a business, which are dependent on the consumer at the retail end have seen a decline or they have seen a muted growth this quarter. So even the most of the infrastructure companies as well, most of them they are facing challenges in the economy as a whole. So first of all to start with this is more of an economic scenario, which is we are facing, tightening of funds at the economy level both in terms of lending in terms of the availability of funds in business community itself, that is one thing, unemployment restricting the people to buy the consumer level, the consumer behaviorism is kind of a little tight in terms of buying and the purchasing power is concerned, which is in turn affecting the industries across, so for us it is more in terms of the industry or the economic scenario, which we are facing rather than company led.



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Himanshu Nayyar: Okay and some more color on whether you are seeing a poor offtake at the consumer level is that a big reason or is it that the liquidity challenges for your distributors is that a bigger reason, which is the bigger reason you would say this downfall can be attributed to?

Shashi Agarwal: I would attribute it more at a very retail level and fueled or I would say supported by the crunch at the distributor level, it is both the ratio would be might 70:30, but definitely it is both at the level of retail and the distributor.

Himanshu Nayyar: Understood and you also made a comment on the working capital pressure so could you just give some more details on how our working capital cycle would have moved this quarter?

Shashi Agarwal: There has not been much significant movement, which we were expecting this quarter to happen in terms of the debtors or inventory I would say that it is kind of a status quo for us. So the expectations in terms of decreasing the debtor days or inventory days are more in vain I would say we are still trying to work on across those measures, which we have been talking about and hopeful that we should get some results. As of now we can only say that the company is putting its best effort and best foot forward to make every possible, we are not leaving any stone unturned to make the debtor days come down for us.

Himanshu Nayyar: Okay and final question on just seeing this quarter's number and the current scenario that you are seeing in July and August I mean what is your best case of where growth can be for this year?

Shashi Agarwal: Basically there are two three aspects on which we are working on it, so once which you talked about reaching the retail level directly through the partnership in the distribution channel that is one thing, which we are trying to work across and this would take some time for us to implement that. So the numbers might because this would also create some kind of, since the transition would be there in terms of the conventional model to the new model there might be some disruption in between based on the sales, which we are rolling out and this is coupled with the current economic scenario so we would just see that wait and watch what kind of numbers we can deliver, but having said that the discussions, which are on is in terms of that winters should be good and then we can see a quite a good traction in the Q3 coupled with Q4 is what we are expecting that by that time we should be entering a zone where things would be probably more stabilized at economic level as well, so we would see that we would try and maintain the 10% to 12% of growth, which we have been talking about right now on a yearly basis, but quarter-on-quarter basis right now we will not have any numbers to give on.

Himanshu Nayyar: Sure Madam. That is all from my side. Thanks and all the best.



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- Moderator:** Thank you. The next question is from the line of Sangeeta Purushottam from Cogito. Please go ahead.
- Sangeeta P:** I had two questions. One is that if there any softening that you have seen in any of the raw materials like what is happening in terms of cotton prices, the benefit that you are likely to see from them, the second question I would actually like the promoters to answer this and not Shashi is that I really want to understand you are saying you are trying to reduce your working capital what exactly are you doing?
- Shashi Agarwal:** Yes, Sangeeta. So cotton prices right now are sliding down, they are moving south so definitely we should see some benefits flowing on to the company because there is some time gap in terms of the cotton prices slide down and the benefit, which you pass on to the distributors so there is a time gap and I hope that we should see the benefit flowing into the company in the following quarters.
- Sangeeta P:** Okay and my second question is something I would like the promoters to address that I really want to understand how you are tackling the working capital problem because we have been hearing out this for over a year and I would like to add some colour on what exactly are you doing?
- V K Gupta:** So working capital cycle, which is improved we are working hard on that, that is in terms of we are trying and persuading our distributor challenge. We have already tied up with State Bank of India they are now today pioneer in terms of channel financing so we have had two clauses this month, in the last month having two clauses with all our distributors across the country to participate in channel financing more so that our working capital cycle gets improved and they are also not penalize much in terms of payment of interest to the bank, so that particular way we are trying to persuade them and we understand that some of the distributors have come up forward and they are enquiring us about how to move that, we have already presented them with the presentation and things should come up positive in coming times.
- Sangeeta P:** Okay, so how what percentage of your distributors currently availing channel financing?
- V K Gupta:** Right now the numbers are not much hardly two or three guys are here into this channel financing it always take some time before we kick start, once the things are getting kick started then ultimately by way of mouth publicity the thing should come up in a good number.
- Sangeeta P:** You persuade them to do channel financing, it means they have to borrow from a bank in order to pay you on time, which means that during that period do you have to pay interest



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cost, so why is that they have been willing to do that and how is it that you are persuading because you know this working capital issue is a big one, a lot of capital is blocked in it, so I just wanted to get a sense that from a say things will improve in the times to come what does that mean are you going to see improvement in three months, in six months, how do you think things will really pan out?

V K Gupta:

See once the channel is on we have already given a presentation to all our distributors regarding once they have to incur a finance cost I mean interest on the funds, which they are going to borrow from the bank for paying us in time we are also offering certain discount to them, which will be over and above the present discount structure, which you are going to traditionally offer to the distributor that will take care of the interest burden in return what is the benefit we are going to get is that we are getting the funds not in time, but well before the time. It is not that the channel financing system the company get the fund immediately on supply, so once we get the funds from the moment we supply the goods with the distributor in spite of we are giving some additional benefits in terms of additional discount to the distributor the company will be saving on interest cost being paid to our banker, so ultimately whatever extra we are going to give them give to the distributors that will get nullified by way of interest benefit from the banks from where the company has borrowed. So that is going to negate there and sooner we are going to start this two, three people have already joined this stream and by way of we are persuading time and again may be by the end of this fiscal year we hope to see a good drop in total working capital cycle period.

Sangeeta P:

So Sir, what will happen is that there is going to be more positive impact on P&L in terms of saving interest cost that your cash flows will improve considerably is that what you are likely to see?

V K Gupta:

Pardon.

Sangeeta P:

If you are actually going to give them a discount then that means that that will impact your margins right, your margins will reduce rightly because you are getting them a discount so that they can pay the interest cost to the bank, so is that correct and what you are saying is that the discount you give them will be met through the interest saving that you will experience on your own borrowing?

V K Gupta:

Yes, that is right. We are going to save interest on our borrowed funds and the additional discount which are going to give to them to our distributors we will also built in that as a cost into our cost of production where in we will be able to increase our sales prices also a little bit so that the company's balance sheet in the profit and loss account will not take any hit that we will ensure.



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Sangeeta P: Right. So Sir can I request you, since this is an important item that every quarter when you are giving your results could you please include a formal update on this, if not in the press release definitely in the call we would really like to follow this closely in terms of what is happening on your working capital?

V K Gupta: Once we are into this channel financing, the more and more persons are joining in then only we will be able to calculate the exact savings in terms of finance cost and then the additional discount we are giving to the distributor, it will take some time, right now we are at the step one only.

Sangeeta P: Right. What percentage of your distributors do you think will be eligible for bank financing?

V K Gupta: See the eligibility is not the issue, the only issue is to kick start the thing two or three distributors have already started so it is by way of mouth publicity the distributors who are getting the benefit by way of going in for this channel financing they are going to promote the system to the other distributors. So it is taking some time of course but then we are deep into this particular system to get implemented and we have organized some workshops on this as well every state headquarters we have the offices we have already setup a particular table for this so as to persuade the distributors to come and join this channel financing.

Sangeeta P: Sir last question was I understand that for the appointed Vector Consulting and they have been dealing pilots I also understand that it takes time for the whole thing to be spread what is your assessment right now that whatever you are getting from vector consulting, how long will it take for it to be implemented across the country and across the company?

V K Gupta: Right now Vector we have already closed down the pilot and seeing the results which are coming out of this pilot implementation. We have now asked them to implement the entire things right at the moment Karnataka and Rajasthan. Karnataka already three distributors have already been started with and in Rajasthan four distributors have already started on this Vector Consulting implementation of the entire system so may be in four to five months in both these states Karnataka and Rajasthan where we will have more than 20-20 distributors in its state working on this Vector system, once we closed down this Rajasthan and Karnataka then additional two states we are going to implement simultaneously. So maybe it will take around two-and-a-half years to three years to take this system pan India.

Sangeeta P: Right okay, thank you very much.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.



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- B Buddhadev:** Yes, thank you. Is it possible to share what has been the operating cash flow generation this quarter?
- Shashi Agarwal:** Sir this operating cash flow, there has not been much of the cash flow into the system right now, as I told you that debtors days we are still working around about 100 days and inventory of around 100 days and say some 50 to 60 days odd creditors there so I am still sitting with kind of 150-160 days of working capital cycle, which definitely is not leaving with much of a cash flow in my hands right now.
- B Buddhadev:** And has the debt gone down sequentially?
- Shashi Agarwal:** Sir the debts you know in terms of my long term debt they have been what they were, repayments happening every quarter and there has not been much of an increment in the debt is concerned. So long term debt part is very much in status quo I would put in this way.
- B Buddhadev:** And what about working capital loan?
- Shashi Agarwal:** The working capital loan is about 187 Crores for this quarter end.
- B Buddhadev:** Okay and what was it same quarter last year is it possible to share?
- Shashi Agarwal:** Last quarter it was little higher 134.
- B Buddhadev:** So debt has increased, working capital debt has increased sequentially?
- Shashi Agarwal:** Yes, absolutely Sir because my working capital cycle last year was much lower as compared to this quarter.
- B Buddhadev:** Okay. And lastly on the demand front, are you seeing any sort of signs of revival or you think it is still sometime away?
- Shashi Agarwal:** I would put it like we should see some incremental traction from Q3 that is what we are looking at.
- B Buddhadev:** Okay. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.
- Pankaj Kumar:** If you can give some details on the brand wise how each brand has performed in the quarter say Bigboss, Missy, Force Nxt and all?



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Shashi Agarwal: We have seen that there have been a decrease in terms of my revenue growth, so most of my brands have seen a negative growth there except for Missy, which has been at 18% growth and some growth traction I have seen in socks, which is kind of a 8% approximately, apart from that Bigboss has seen round about 4% growth, Champion as it is not a month where you have much of kids wear being sold so that is around 10% degrowth. Force Go Wear since we are rationalizing the brands at athleisure taking up in the respective brand category, which is Bigboss and Force Nxt that was bound to be decline, but apart from that there has been some degrowth from general economic scenario that is around 30%, Force Nxt is around about 20% degrowth there. In my regular segment the economic segments also we have seen some tractions there coming at 8% degrowth there, so overall there have been degrowth in most of the brands except for Missy and socks.

Pankaj Kumar: Sorry I missed a Bigboss number, how much it declined?

Shashi Agarwal: Which one?

Pankaj Kumar: Bigboss.

Shashi Agarwal: Bigboss 5%.

Pankaj Kumar: Okay. Basically we were reviving a Force Nxt and so any update on that?

Shashi Agarwal: Force Nxt I would say that south we have seen a good traction the way which we were working in terms of individual outlet, so we have seen a good growth rate in south so which tells us that yes, when we are rolling out the entire plans of reaching to retailers directly by the company and promoting our products, which have not reached to the retailers till now, we are sure that we should be able to get that momentum now. So with the implementation of the entire scheme of going to the retailers directly I think so the brand will definitely pick up.

Pankaj Kumar: Okay. And Madam lastly on this ad spend, so last year we had some 100 Crores of ad spend so this year we are targeting some lower ad spend so what are the budget any revision on that thing?

Shashi Agarwal: So we will try and maintain that 90 Crore limit, which we have set for ourselves so to give you in kind of heads up that how did we do it this time as we spend 33 Crores last quarter that last corresponding quarter and this year we have spent only 28 Crores in the advertisement spend so we are trying to maintain and curtail our ad spend and rationalize it within the brand.



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Pankaj Kumar: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Shashank Palan from Rockstud Capital. Please go ahead.

Shashank Palan: I wanted to ask that when do you see the growth can kick in, in the topline if FY2020 is it H2 where you will see that there is a revival, other than that a slowdown in the consumption that we have seen and that is seen across, how can that improve and what steps are we taken because I think we are going with other brands, but degrowth is an issue so are we going to spend less in advertisement and save on that part or how we are going to manage degrowth for that part, any views on that?

Shashi Agarwal: Shashank what we are trying to address the question is first of all I try to evaluate the system which we are working on, the question the way we have been working all these years and we said that we need to relook and say that what is the best way we can work across and that is the reason we entered into the engagement with the consultants wherein they advise us to get in touch with retailers directly. For us we were targeting our distributors and working around the distributors and we were trying to make our brands visible, we are trying to increase the growth in a faster manner, but once we got into this kind of a pilot and where we saw the direct engagement with the retailers in the partnership with the distributor channel it helps you gain more confidence of the retailers they help you promote your products because at the end it is the retail counter, which places the company's product in front of the consumer and apart from this we are working on the replenishment model, all this we were trying to push the company, now we are seeing that we get into kind of full brand scenario wherein we will only supply whatever has been sold by the distributor and in turn the distributor will only supply whatever has been sold by the retailer, this is basically the replenishment model, which we are trying work for us and this definitely would help us rationalize our debtors this will help us rationalize our inventory and also make us sure that we are present at every counters here most of the counters here in the country. If we are present I am sure the company, the brand is going to be sold. Right now the most important thing is the presence at the retail counters. When we studied for example in one of the pilot areas the percentage was quite alarming when we saw the presence of the company in terms of the retail was there and kind of the number of retail outlets available is immense so we were not even potentially target, there is a big huge opportunity lying before us and we are trying to grab that opportunity make a fast move and we present there so that would help us fuel our growth and apart from that is what we are working across is also the consolidation of many brands, which we are working under and something again this is a task, which the company has undertaken and we are very hopeful that this would also help us rationalize our brand spend initially because if we change brand architecture that would require a little of promotion and at that point of time it might fuel up



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my expenditure, but that would be a different category altogether, but apart from that we would definitely want to rationalize our ad spend. So we are not cutting down advertisement spend we are trying to rationalize the advertisement spend.

Shashank Palan: Just on the follow up. You mentioned consolidation of the brand so what are you thinking like Missy to go under Dollar as Dollar brand or something like that, what is your view in consolidation?

Shashi Agarwal: So for example I will start with Force Go Wear. Force Go Wear is more of a casual brand for me, which has track pants, T-shirts, bermudas, capris, etc., so instead of having this as a separate brand can I have athleisure segment into my own respected brands of Bigboss or Force Nxt or is it possible for me to do that, so this was the task, which company started last year itself and if you really see the numbers the traction in Force Go Wear it has been on a declining trend because we are pulling up the track pant, T-Shirt, the lounge wear, the casuals there in the respective brand. So once we established ourselves we will do away with Force Go Wear that is one kind of a brand consolidation we are talking about. Apart from that when you are saying that whether Missy would go as a Dollar under the brand it is still under brand Dollar, but how do we place or communicate to the consumer in terms of the brand is still to be completed that task we have already had a consultant there, well the known consultant who is advising on to us that how we should be calling a product, how do we reach a consumer and have a consumer recall as well that is something is being worked upon and the next quarter or maybe the end of this fiscal we should have a plan in place for us.

Shashank Palan: Okay Madam and what is the ad budget that we have made for FY2020?

Shashi Agarwal: Around about Rs.90 Crores, which we are working around.

Shashank Palan: Okay Madam and my second question was regarding, I could see some of the expenses of finance cost is understood why it has grown, the cycle is increased, but I can see employee expenses and depreciation both increasing at plus 20% can you please tell me what is the reason for that?

Shashi Agarwal: Employee definitely we have seen an increase and this would go on for a little while because as I told you with the current model, which we are working on where we are trying to reach the retailers, every retailers that are possible at the counter in the market, sure we need a bigger team, we need a bigger team to manage the entire operations, which we are trying to work across and right now this is a transition phase for us, so we might see some kind of an increase in my expenses even in employee there is a category because we would require to have more people now.



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- Shashank Palan:** For the whole year how much could we expect for FY2020 as a whole, how much percent increase over FY2019 approximately?
- Shashi Agarwal:** Right now we are around about 4 Crores, so similar numbers should be there with a slightest increase of 2%-3%.
- Shashank Palan:** 20% more for the full year?
- Shashi Agarwal:** Yes.
- Shashank Palan:** And why is depreciation increasing?
- Shashi Agarwal:** We just capitalized, we bought some machines in my processing division, which added to my efficiencies around about Rs.5 Crores, if you just also go through my fixed asset, you would see increase in my gross loss so that is a reason we are increasing the
- Shashank Palan:** Okay but this has not changed your 30%-70% mix of inhouse and outsource?
- Shashi Agarwal:** Not much because this is adding to your efficiencies and the quality of the work, which we do. It helps us to do a better processing job and high-end quality work. This will help us increase the quality of the products at premium level.
- Shashank Palan:** Madam as you were talking about the pilot project that you have completed and that has been done in southern states also if am right that has been understood. I just wanted to know what is the percentage increase in a particular state or a particular sector that you have completed, how much percent revenue growth did you see from that particular may be regime?
- Shashi Agarwal:** I have more than 30, 35 distributors in Karnataka and if I give you the number the sample size is still very small for me to talk about those numbers, 3 out of 35 is kind of not a right number I am just in one concentrated area of Bangalore that is the city. I would want to have a more widespread numbers in terms of the geographical location, in terms of the tier cities and in terms of the numbers of the distributors with whom we have done this project. Then I would say that numbers would really make sense for me to talk about. If now I talk those numbers it would be too good to be true. Yes that is what I felt, but when you see those numbers they are like sounding too promising and too encouraging so I would hold back there.
- Shashank Palan:** Okay and are you seeing increased competition from new players coming into the market from private players also which are not listed?



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- Shashi Agarwal:** So not really, if we say that increased unorganized segment no, at an economic level no, in our mid-premium segment this competition is similar what we had previously. Premium segment if you really talk about then definitely there is a traction coming to the new players like Van Huesen being there, the other companies out of fashion companies would be there all entering the innerwear segment so that would be a competition for the day segment then for my mid-premium Bigboss, Force Nxt, etc.
- Shashank Palan:** So that brand using in other fashion brands, which are coming in are to the price line not of I think Force Go Nxt?
- Shashi Agarwal:** No, Force Nxt would not be impacted. That could impact more to my Pepe segment JV.
- Shashank Palan:** Okay. And how is Pepe going, still traction is going good.
- Shashi Agarwal:** We started in north as well I am sure right now, so we are in line with what the budget we have for this particular year the business plans that we had for the year and we are very bullish about it and we should be able to achieve the number. So the Q1 went as targeted, we were not of target.
- Shashank Palan:** Okay that is all. If I have any other questions I will get back in queue and all the best.
- Moderator:** Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** Good afternoon. Madam what is the total gross debt at the end of this quarter?
- Shashi Agarwal:** That is around about, so you are talking about the long term or you are talking about the working capital?
- Siddharth Rajpurohit:** Both together.
- Shashi Agarwal:** The long term debt is around about 10 Crores and my borrowings with the bank for working capital cycle went up to 187 Crores.
- Siddharth Rajpurohit:** And what was the number in Q4 Madam?
- Shashi Agarwal:** Q4 for me the borrowing was just meager Rs.3 Crores so this increase in my long term borrowing has been because we purchased some fixed asset we just talked about this 5, 6 Crores approximately so that adds up to 10 Crores and my working capital debt for Q4 was 207 Crores.



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- Siddharth Rajpurohit:** Okay, so that has come down?
- Shashi Agarwal:** Yes, it has come down.
- Siddharth Rajpurohit:** And the cost of capital how it has moved well from Q4 to this quarter?
- Shashi Agarwal:** Cost capital has been more or less similar for us and we really enjoyed very good rate from a banker.
- Siddharth Rajpurohit:** What would be an average rate Madam?
- Shashi Agarwal:** It is around about 8.5%.
- Siddharth Rajpurohit:** And Madam in this channel financing that we have done is there any recourse to the company on default of their distributor?
- Shashi Agarwal:** No it is not a recourse to the company that bank will take the liability and responsibility so we are going with certain kind of, the instrument is designed so that the banks will have a recourse from the distributors and they will have certain security for them to be supported by, they will be supported by some securities by the distributors.
- Siddharth Rajpurohit:** Sorry, security base has deposits or something?
- Shashi Agarwal:** Yes, those collateral securities or collateral guarantees have to be given by the distributor to the banks.
- Siddharth Rajpurohit:** Okay and the falling cotton prices Madam are there chances of inventory losses?
- Shashi Agarwal:** Sorry I did not get that.
- Siddharth Rajpurohit:** Cotton prices are on a downward spell so are there any possibility of inventory losses coming on the books?
- Shashi Agarwal:** Not really why should they come onto the books. Actually I did not get the question Siddharth. There should not be any losses to books in terms of the pricing, so we have not stocked up. If you really look at my raw material numbers when you receive the annual report you will see that I was just holding a meager 16% of my total inventory of raw material to my total inventory, which was around about Rs.50 Crores and there I do not think so there would be any losses there. We have already consumed that.
- Siddharth Rajpurohit:** Madam what is the investment scheduled in Pepe for this year?



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- Shashi Agarwal:** It was Rs.9 Crores.
- Siddharth Rajpurohit:** Rs.9 Crores. Fine madam. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Saurabh Ginodia from Stewart & Mackertich. Please go ahead.
- Saurabh Ginodia:** Good afternoon. In Q1, Missy sales grew by 18% can you give the breakup between volume and mix in this and what would be the ASP for Missy?
- Shashi Agarwal:** Missy last quarter we were selling at Rs.78, this time I have reached Rs.86 and so increase in the volume has been around about 7%. ASP increase is around about 11%.
- Saurabh Ginodia:** What was the reason for this kind of a growth in Missy when all of your other brands have degrown actually?
- Shashi Agarwal:** In Missy, I would say most of these brands, which we have been talking about they have already been with the distributors, the reach, etc., is there penetrated, but in terms of Missy we are still building up distributors, we are reaching several retailers where we were not present. I think the trust here being, which we have understood in our pilot as well is about your presence in the retail level, which helps you a lot and the growth story, which you are talking about so with the number of distributors with whom we had added Missy previously is continuously on the rise. Our existing distributors are doing their job. We are reaching out to our existing retailers to make sure that we have a presence of woman innerwear in that segment in those retail shops, so this is filling up the growth. Similarly we would want to fill up the growth for our existing brands where we have seen degrowth by adding up the retail counters. More retail counters we reach and we ensure that our brand is known to the consumers the retail shops has brand.
- Saurabh Ginodia:** So what kind of estimate do you have for FY2020 for Missy as a brand?
- Shashi Agarwal:** We are definitely looking at around about 35% growth rate on a yearly basis for FY2020.
- Saurabh Ginodia:** Have you done any job work in the quarter if you can share?
- Shashi Agarwal:** Yes some part, which is the there.
- Saurabh Ginodia:** Is it significant to be mention?



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- Shashi Agarwal:** Numbers, the job work is on the decline again as I have been talking about so if I have to look at the breakup so last quarter we did approximately 1 Crore of job work whereas we did 93 lakhs job work income is there.
- Saurabh Ginodia:** For the quarter it is a 1 Crore?
- Shashi Agarwal:** Last quarter it was a 1 Crore and this quarter it is 93 lakh.
- Saurabh Ginodia:** Do you have the number for job work for the last full year?
- Shashi Agarwal:** Full year it was around about 4.5 Crores.
- Saurabh Ginodia:** What is the total number of pieces you have sold in Q1?
- Shashi Agarwal:** This year the number of pieces sold is around about 3.7 Crores pieces approximately.
- Saurabh Ginodia:** Compared to last year same quarter?
- Shashi Agarwal:** That number was a little higher, so it was 4.4 Crores approximately. I think degrowth in terms of the volumes.
- Saurabh Ginodia:** That is all and all the best.
- Moderator:** Thank you. The next question is from the line of Saumik Doshi from Greshma Shares and Stocks. Please go ahead.
- Saumik Doshi:** Madam in this new model that we have moved to hiring more people are everyone on retailership or on contract basis?
- Shashi Agarwal:** Here it is kind of a mixed model right now, so number one there have been increments. This has happened last year, so that increment has gone ahead. Number two is like we are majorly now working into the space to develop the sales team and this team the TSO team would be definitely on the payroll of the company. We would not want to get them on the contractual basis and hiring is happening it would be in terms of the production lining. There it would go in terms of contractual.
- Saumik Doshi:** Any ESOP is promised to these guys?
- Shashi Agarwal:** I did not get that question.
- Saumik Doshi:** Any ESOP is promised to these guys or is there a policy for ESOP for these guys?



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- Shashi Agarwal:** One particular aspect we are working as up well along with the senior management team. The intent is very much to work around this and give it to the employees to have a good retention at the employee level, but nothing has been finalized. This is definitely another one big task, which we have to undertake and the company is very much geared up for this.
- Saumik Doshi:** Would it be possible for you to share like a new team strength as such including like the old people versus the new people that you have hired for this?
- Shashi Agarwal:** My team is too busy. HR team is too busy hiring, may be in some time you can get back to me on a one to one basis and we get that numbers arranged for you.
- Saumik Doshi:** No problem madam. Madam in this new model the manufacturing will happen outsource or everything will be done inhouse?
- Shashi Agarwal:** So definitely not go in terms of increasing our production capacity. For us in terms of model and even that it is an interim kind of process where we just outsource the process. We do not outsource the purchasing of the raw material. We will continue doing that, so it continues to be a mix model in terms of whatever capacity is inhouse, we will continue using that and for the rest of the requirements we will definitely look for job.
- Saumik Doshi:** So right now in this new model how much percentage would be outsourced versus how much percentage would be inhouse?
- Shashi Agarwal:** So the production would not really impact my sales, so I would continue producing the way I was producing. Maybe I would look at kind of rationalizing my production process in a different manner, but this would not impact in terms of that my decision would not be dependent on job work for the inhouse manufacturing. Right now I am working on the sales side. I am working more in terms of reaching the retailers and that is the step one for me. Once I have done that when I have established myself at each retail counter most of the retail counters present then I will move onto my production side.
- Saumik Doshi:** You were looking at a pilot project in Mumbai right so any progress with that?
- Shashi Agarwal:** Not in Mumbai. Maharashtra is definitely there in our radar, but right now we want to stabilize it in Rajasthan because there where the major of the whole selling part happens. Once we have stabilized to Rajasthan then we will look up for the other things.
- Saumik Doshi:** Madam that is it from me. Thank you.



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Moderator: Thank you. The next question is from the line of Shashank Palan from Rockstud Capital. Please go ahead.

Shashank Palan: I wanted the debtor, inventory and payable in absolute number as on June 30, 2019 if you can share?

Shashi Agarwal: It is around about Rs.300 Crores is what I am sitting with my debtors. Inventory is around about again Rs.320 Crores approximately and payables are Rs.130 Crores.

Shashank Palan: Just one more thing is there any update on the acquisition you are planning to do something?

Shashi Agarwal: At the moment, we were looking for the women innerwear brand. We have looked at most of the companies and nothing has come at the price, which we are looking at, so I think we are working and the pricing, which is there in the market prevailing they are same. Once I make that deal I would be questioned that what was the basis of that deal, so we are not going ahead with anything as of now, what we are doing is we are trying to build in the capacity and the expertise within the company to go in for the brassiere segment that has been worked upon.

Shashank Palan: 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.

Shashi Agarwal: I would like to thank everyone for being present for our 1Q FY2020. Have a great day ahead.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.