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Date: 16th November, 2024

The Secretary **National Stock Exchange of India Limited** **Exchange Plaza, C-1, Block 'G'** **Bandra- Kurla Complex, Bandra (E)** **Mumbai – 400 051** **Symbol - DOLLAR**	**The Secretary** **BSE Limited** **Phiroze Jeejeebhoy Towers** **Dalal Street** **Mumbai – 400 001** **Scrip Code :541403**

Dear Sir / Madam,

Reg : Intimation of availability of transcript on Analyst(s)/Institutional Investor(s) meet – 'Earnings Call'

In continuation to our letter dated 2nd November, 2024 and pursuant to Regulation 30(6) and 46 (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call held on Tuesday, 12th November, 2024 at 4.00 pm (IST) as organized by Emkay Global Financial Services Limited, on the interaction of the Company's representative(s) on the Un-audited Financial Results of the Company for the quarter and half year ended 30th September, 2024 and/ or any other matter as discussed, is as enclosed.

Please note that the same is also available on the Company's website at

https://www.dollarglobal.in/board-of-directors/earnings-call/

This is for your information and record.

Thanking you,
Yours Sincerely,

For Dollar Industries Limited

ABHISHEK MISHRA
Digitally signed by ABHISHEK MISHRA
Date: 2024.11.16 13:18:19 +05'30'

Abhishek Mishra
Company Secretary & Compliance Officer

Encl: As above

"Dollar Industries Limited

Q2 FY '25 Results Conference Call"

November 12, 2024

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

MODERATOR: **MR. VISHAL PANJWANI – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q2 FY '25 Results Conference Call of Dollar Industries hosted by Emkay Global Financial Services. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vishal Panjwani from Emkay Global Financial Services. Thank you, and over to you, sir.

Vishal Panjwani: Hi, good evening, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today, Mr. Ankit Gupta, President, Marketing; Mr. Gaurav Gupta, Vice President, Strategy; and Mr. Ajay Patodia, Chief Financial Officer. I would now hand over the call to management for their opening remarks. Over to you, sir.

Ankit Gupta: Thank you, Vishal. Good afternoon, everyone, and a warm welcome to you all. Thank you for joining us today for the Dollar Industries Q2 FY '25 earnings investor call. Gaurav and I will take you through the business and operational highlights of the quarter gone by. While our CFO, Mr. Ajay Patodia, will share the financial matrices.

Before we dive into the financial results and operational highlights for Q2 and the first half of FY '25, I want to express our 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.

Quarterly total income stood at INR448 crores, increasing by 34% quarter-on-quarter and 8.5% year-on-year. For the half yearly, total income stood at INR782 crores showing a growth of 5.5% year-on-year basis. Net profit for the quarter grew by 73.2% quarter-on-quarter and 6.6% year-on-year to INR27 crores.

For the half year, net profit stood at INR42 crores, registering a growth of 6.1% year-on-year. I would also like to highlight that historically, our H2 performance has been stronger than H1. Hence, we are on track to meet our guidance of 12% to 13% growth in operating income. With our continued focus on project Lakshya, we welcomed 17 new distributors to the initiative in H1 FY '25, increasing our total distributor count to 307 from 290 in March to 2024.

We are pleased to share that project Lakshya's share of domestic sales rose from 26% in FY '24 to 31% in H1 FY '25. Looking forward by FY '26, 65% to 70% of our revenue is expected to be contributed by distributors under project Lakshya. To further enhance our reach and product range, we are excited to announce that, in FY '24/'25, we'll be expanding project Lakshya into 3 new states, Madhya Pradesh, Himachal Pradesh and Jharkhand.

Thank you. Now Gaurav will further -- will give further information on the business and operational highlights of the quarter gone by.

Gaurav Gupta: Thank you, Ankit. Hello, and good afternoon, everyone, and a warm welcome to each one of you. For quarter 2 FY '25, Dollar's thermal accounted for about 10% of our revenue. With the forecast predicting a longer winter season this year, we are also seeing strong demand for thermal products in the current quarter. Force NXT accounted for about 5% of our revenue in quarter 2 FY '25, showing a 30% growth in the value and a 38% increase in volume terms Y-o-Y.

As of H1 FY '25, the Southern region has contributed to 8% of our operating income. To enhance our presence in the Southern Indian market, we have appointed actor, Mahesh Babu, as the brand ambassador for Dollar Bigboss.

Also, our initiatives to drive growth in the e-commerce channel has started showing results. In quarter 2 FY '25, sales from modern trade and e-commerce made up approximately 7.5% of our total sales, up from 3.6% in quarter 2 FY '24 and 6.5% in quarter 1 FY '25, bringing the contribution to around 8% in H1 FY '25. Our target is to achieve the contribution from the channel in the range of 8% to 10% in FY '26.

Committed to a greener future, we continue to expand our renewable energy capacity. As of September 2024, our total power generation capacity reached 8 megawatts, marking an increase of 2 megawatts in the first half of financial year '24/'25. This progress highlights our dedication to sustainability and reducing our carbon footprint.

Thank you, everyone. And now I will hand over the call to our CFO, sir, Mr. Ajay Patodia, to talk about the financial metrics.

Ajay Patodia: Thank you, Gaurav Ji. Good afternoon, everyone, and thank you for joining us for the quarter 2 and H1 FY '25 earnings call. Before we begin the question-and-answer session, I would like to offer a brief overview of our financial performance for the quarter. I trust everyone has had the chance to review the earnings presentation and press release. While Ankit Ji has already shared insight on the macro-outlook, I will take a closer look at our financial performance over the past quarter.

Our revenue from operations rose by 33.9% quarter-on-quarter basis and 8.3% year-on-year basis to INR446.87 crores in quarter 2 FY '25, from INR412.52 crores in quarter 2 FY '24. For H1 FY '25, revenue from operations stood at INR780.61 crores, increasing 5.4% year-on-year basis. Consequently, we are on the course to achieve our growth target of 12% to 13% in operating income, as mentioned by Ankit Ji.

Gross profit for quarter 2 FY '25 reaches INR149.67 crores, witnessing a quarter-on-quarter growth of 25.9% and year-on-year growth of 11.3%. Gross profit margin for quarter 2 FY '25 stood at around 33.5% against 32.6% in quarter 2 FY '24, expanding by 90 basis points year-on-year basis.

Gross profit for half year ended 30 September '24 was INR268.54 crores, witnessing a year-on-year growth of 11.6%. Gross profit margin for H1 FY '25 stood at around 34.4% against 32.5% in H1 FY '24, expanding by 192 basis points year-on-year basis. Operating EBITDA in quarter 2 FY '25 increased by 37.4% quarter-on-quarter and 17.2% year-on-year, reaching INR48.93 crores.

Operating EBITDA margin for the quarter expanded by 83 basis points year-on-year basis to 10.9%. Operating EBITDA for the half year stood at INR84.53 crores increasing by 22.8% year-on-year basis. Operating EBITDA margin for the same period expanded by 153 basis points year-on-year to 10.8%.

Profit after tax for the quarter, which witnessed a 73.2% quarter-over-quarter basis and 6.6% year-on-year growth, reaching INR26.51 crores with a PAT margin at 5.9%. For the half year, profit after tax stood at INR41.82 crores, growing at 6.1% year-on-year basis.

I will quickly run through the brand-wise contribution for the quarter. Our Bigboss mid segment contributed around 38%. Our economic segment, Lehar, contributed around 39%. Our women segment, Missy, contribute around 9%. Our premium Segment, Force NXT, contribute around 4.35%. High EBITDA margin product, thermal wear, contributed around 6% and socks, Dollar Socks, around 2%.

We remain deeply committed to our strategic priorities and growth pillars as we work towards our long-term goal of sustainable growth and profitability.

We are confident that our focus on premiumization, the ongoing success of project Lakshya and our expanding presence in the South Indian market will drive strong performance in the coming quarters. We are well positioned to achieve solid revenue and profit growth both this financial year and in the future.

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

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Vijay Shah from Insightful Investment Managers.

Vijay Shah: Congratulations on the improved performance. I had just 2 questions. One is I'm seeing that there is an increase in our capital work in progress in terms of capex that we are doing. So if you could just explain what is the capex which has happened in FY '24? And what is this capital working progress for now?

Ajay Patodia: As with regard to capex, we want to inform that we have 2 projects in our capex we announced in FY '21/'22. That is one regarding the warehousing project at West Bengal Hosiery Park, and one, our increase in the capacity of our spinning unit from 22,000 to 40,000. So in FY '24, we capitalized -- we completed warehousing project at the West Bengal and 50% of the spinning capacity.

So in FY '24, 50% of the spinning capacity in the West Bengal Hosiery Park project is capitalized. Balance 50% of the spinning capacity is completed in this 6 months, so this is capitalized during the year. And now there is no -- any capex spending.

Vijay Shah: So this capital work in progress as on 30th September is now finished?

Ajay Patodia: Yes. They are related to only minor regular matter only.

Vijay Shah: Got it. And second question was, sir, with regard to this whole note to project Lakshya, getting 30% of our turnover coming from there, plus, modern trade and our e-commerce sales have gone up. All this, should it not show somewhere in our inventory levels in terms of debt coming down?

Ankit Gupta: So see, there are 17 new distributors who have come into the picture, and it takes time for the distributors also to get stabilized. And with the e-commerce also coming into the picture, there, apart from -- so what happens is, although you get the money early in e-commerce, but there are a lot of goods which are sold on the sales or return basis also.

When you do additional piece of business with Flipkart or Amazon or on Myntra. So the thing is that it won't show up in your debtors, but yes, it will show in your inventory cycle. So overall, yes, you are right, overall, the receivable days should have come down, but it will come down eventually.

Vijay Shah: Yes. Actually, my question with receivable was a little later. But first, on inventory. Actually, inventory has gone up and from March, from INR467 crores to INR533 crores in September. So

Ankit Gupta: So it's cyclical. Vijay Ji, it's cyclical because during this period, we restock up the thermal goods also, which is higher ASP products and higher cost products as well, which will get sold off in quarter 3. So second half is usually heavy for our industry. It's to the tune of 55%, 60% to our total sales which happens during the first half.

So overall target that we have taken, 60% of the sales take place in the second half of the year. So that's why you have to build up inventory in order to cater to the market needs.

Moderator: The next question is from the line of Gaurav Jogani from JM Financial.

Gaurav Jogani: So my first question is with regards to this, the Bangladesh issue. Would this in any way help the overall hosiery industry in India? Given that, earlier, there is a lot of inventory that is getting sold into the system and there's good competition in terms of pricing. So any color that you can give on this aspect.

Ankit Gupta: So this Bangladesh issue will impact the textile industry, but it won't impact the hosiery industry because not much manufacturing takes place in Bangladesh of hosiery products. And the products that we deal in, it won't have any impact based on the Bangladesh issue.

Gaurav Jogani: And sir, how about the competitive intensity now? How do you see this? Has the competitive intensity remained high, low? Or how is the demand cycle? If you can highlight something there on that, sir?

Ankit Gupta: So from the competition side, see, there'll always be pressure from the competition side. Everyone is aggressive. Everyone wants to capture more and more shelf space in the market and increase their market share. And even we are doing the same, right? So the intensity of competition is really high in the market because we are 5 players at a similar level. If we keep page aside also, there are 3 players in the listed space and 2 in the unlisted listed space.

So the competition is very aggressive in the market. But yes, we have changed our entire go-to-market strategy and dealing with the situation and trying to capture much more retail space as possible.

Gaurav Jogani: Okay. I mean, if you can highlight, has this come now or gone up? Because what we are hearing from the market is that the competition is now become more saner, and the level of discounting has come down. So I just wanted to get a sense on that.

Ankit Gupta: So on that front, it is getting stabilized. So the extra discounting that is going in the market from the other players, it has come down. And it's a process. So maybe another 1 or 2 quarters, it should get stabilized. But that intensity has reduced over time, yes.

Gaurav Jogani: Okay. And sir, just wanted to get a sense from you in terms of profitability growth. While the top line growth has been decent, I think the profitability growth on a y-o-y basis has been impacted. So on an annualized basis, how do you see this shaping up? And if you can help us out, the trajectory for the next 2 to 3 years?

Ankit Gupta: So basically, this year at an EBITDA level, we are very hopeful that we'll be able to do somewhere around 11%, 11.5% this particular fiscal. Next fiscal, where we are targeting INR2,000 crores of revenue, we are very hopeful that we'll be able to achieve somewhere between 13% to 14% of EBITDA level.

And going ahead, I think in long term, if you ask me, when everything has stabilized, 14% to 15% for our kind of an industry is very much sustainable EBITDA levels.

Gaurav Jogani: This margin improvement that you're talking about for the next year, what will be the key levers for this margin improvement?

Ankit Gupta: So, one would be the operating leverage that we -- that will be created after reaching INR2,000 crores of business. Then the second would be the change in the product mix as well because this year also, we are seeing 3% to 4% kind of change in the ASP towards the positive side because of the product mix change. It's because of Force NXT growing at a rate of 35% year-on-year basis. Our athleisure segment is doing well.

Then thermals, we are very hopeful for the winter season also this time and getting a good demand from the market. So all these product ranges which has high-value products and good margin products, they'll definitely help us achieve our targets.

Moderator: The next question is from the line of Shrinjana Mittal from RatnaTraya.

Shrinjana Mittal: I have 2 questions. So one is on the gross margin side. So I look at the gross margin after subcontracting, it's come down compared to last quarter from about 35.6% to now 33.5%. So can you explain that change, please? Like what has led to that? Is it a mix impact? Or is it like a price -- raw material price impact?

Ajay Patodia: Basically, the gross margin impact due to sometimes we offer incentive also. So on thermal product, we offer incentive to dealer. Due to this, the incentive portion is actually deducted from the top line only. So it is reflected in the gross margin. There is -- with regard to raw material prices, they are stable.

Shrinjana Mittal: So this will come every time in the Q2 and Q3 because that's when we see the thermal sales?

Ajay Patodia: Correct.

Shrinjana Mittal: And the second question is, like last quarter, we mentioned that because we were implementing SAP HANA, we had lost some sales because of that. So like is the implementation done? Is there any impact in this quarter as is?

Ankit Gupta: So no, there is no such impact because of our technological advancement and the implementation of SAP is completed and has been stabilized.

Shrinjana Mittal: Just one last follow-up question. On -- as per your guidance, like to do 12%, 13% growth, the second half has to do a lot better, like more than 15% growth, right? So

Ankit Gupta: Definitely. So generally, what happens is if we have a good winter, the third quarter is always good. And the fourth quarter itself is very, very heavy for our industry. So we are very hopeful that we'll be able to achieve 12% to 13% very...

Ajay Patodia: And also, this time, Eid is on the 30th of March itself. So Eid sales is also coming fourth quarter only, so we're hopeful that our target of 12% to 13%, we can achieve easily.

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

Prerna Jhunjhunwala: Sir, wanted to understand the Lakshya project progress. The addition of distributors in the first half, in our opinion, is quite low than what we envisaged earlier. So could you just help us understand what is happening there? Though we are meeting the revenue composition targets, but network addition is somewhere a miss is what I feel. So please help us understand that.

Ankit Gupta: So you rightly pointed out that the addition has been on the lower side. But this is because of the fact that our -- all the ongoing states that we have started in FY '24, it's almost completed or at a completion stage. So these additions are there only. With respect to the new states, the mapping process is still going on.

So it really takes time to map the area and appoint a distributor, although we have appointed 2 to 3 distributors in new areas as well. But yes, that's why first half was a bit slow. And it should pick up in the second half.

Prerna Jhunjhunwala: So how much distributors can -- will we be adding in the second half? Any number that has come up till date?

Ankit Gupta: No. As of now, the mapping is still in progress. So we are exact -- unable to give you the exact numbers because with new states, as you already know, that there's a lot of problems with the new state. People are skeptical. We have to create success stories in those states. And then we have to hunt for the new distributors and everything, right?

So it will take some time, but I'm unable to comment on the exact number of distributors that we'll be appointing in the second half.

Prerna Jhunjhunwala: Sir, also wanted to understand on this 30% contribution that is coming in from Lakshya network. Now this contribution is increasing. So which means that existing network, is the growth lower there? Or how should we interpret it?

Ankit Gupta: See, the Lakshya, in Lakshya project, the growth is higher than the non-Lakshya areas. But it's not like that the non-Lakshya areas are also at a degrowth level. Because this year, particularly, what we are seeing is that overall Lakshya states are growing at -- but the mature states, which have been there for like 2 years, 3 years' time period, they're not -- they won't be growing at 35%, 40% kind of a growth.

They'll grow at 15%, 17% kind of a growth. So the -- our non-Lakshya sales are also growing. It's not that they are de-growing. But overall, at a company level, we are standing at 5%.

Prerna Jhunjhunwala: The next question is the volume growth. What was the volume growth overall for the quarter? And if you could just help us in the volume growth for each of the brands.

Ankit Gupta: So volume growth, volume growth overall was 2% for this particular quarter. But at the year-end, what we are looking forward to is 9% to 10% kind of a volume growth overall. And the rest would be -- around 3% would be the product mix change that we are looking forward to.

And volume growth brand wise, if you ask me, for quarter 2, Bigboss grew by 5%, whereas the value growth was 11% in Bigboss. Economy range of products grew by 2%. Thermal grew by 4%. Missy grew by 4%. Force NXT grew by 38%.

Prerna Jhunjhunwala: Okay. And these are all volume growth that you have given?

Ankit Gupta: Yes, yes, yes, volume growth.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I'm trying to understand your average sales price for the -- sir, your average sales price for realization per piece, which was INR71.11 in FY '22, was INR69 in FY '23. And sir, what is it now?

Ankit Gupta: It is around INR70 crores right now.

Madhur Rathi: So I understand last year, it was INR68 or so. We have taken some kind of price hike?

Moderator: Mr. Madhur, may I request you a little louder or use your handset to ask the question? Your voice sounds a bit muffled.

Madhur Rathi: So last year, what kind of price hikes have you taken on a year-on-year and quarter-on-quarter basis?

Ankit Gupta: No, we have not taken any kind of a price hike in the last year as well as this year. This year, the industry tried to take a price hike in the first quarter. But due to some players, we had to reverse it.

Madhur Rathi: So when last did you take a price hike?

Ankit Gupta: So the price hike last we took was FY '22.

Madhur Rathi: Okay. So basically then due to your product mix change, the average sale price has gone up year-on-year?

Ankit Gupta: Yes. So the value change that you are seeing in the ASP is basically due to the product mix change, which is majorly contributed by Force NXT, which is growing by 35% to 40% year-on-year basis for the last 2 to 3 years.

Madhur Rathi: And sir, now if you look at, sir, the company was doing 13% margin way back in 2018 also. So now after doing so much products here, Lakshya and all, sir, still, if we are going to reach 13% next year. So then what is the meaning of all this so-called transformation?

Ankit Gupta: Sir, the thing is that if you compare it with FY '18, a lot of dynamics have changed in the industry, a lot of things has happened in the industry, whether it be cotton prices moving up or cotton prices going down, high-value inventory in the system or low-value inventory in the system. So if you look at FY '22, we touched 16% kind of EBITDA level, which gone down to 5%, 6% kind of an EBITDA level in FY '23.

So the industry in FY '24, the industry was still recovering. And then again, some dynamics changed in the industry due to which there was a lot of pressure in the pricing, also the competition getting intensified. But yes, we are very sure that we'll be able to achieve the long-term sustainable profit, which would be somewhere between 14% to 15%.

Madhur Rathi: And by then when do you foresee us reaching that level of 14% to 15% EBITDA margin?

Ankit Gupta: In next like 3 years' time period.

Madhur Rathi: And sir, what are our capex plan? And with the current capacity, what kind of revenue can we reach, provided the demand is there?

Ankit Gupta: So our industry is more based on job basis of production, contract basis production, wherein the each and every processes are being outsourced to a job worker. So we don't -- nearly need to do any kind of a capex to increase our production capacity. It can be increased by adding more and more job workers which are readily available in the market. So we don't think that much more capex is required in the next 2 to 3 years' time period.

Madhur Rathi: And sir, our inventory is very high, and our receivable is also almost 110, 120 days. So any plan to reduce that?

Ankit Gupta: So by FY '26, we are planning to reduce it to around 135 days, somewhere around 135 days by FY '26. It will be majorly because of the debtor days that we are going to reduce. Inventory days, as of September, you have seen it on a higher side because of the thermal stocks that we have, the winter wear product.

Madhur Rathi: And sir, how much money are we spending on advertisement and sales promotion? Have we reached the 6.5% of revenue that you had predicted in last 2 con-calls?

Ankit Gupta: This year till half yearly -- on a half yearly basis, we have spent around INR31 crores, which is equal to the amount that we spent last year -- sorry, INR56 crores, which was around INR58 crores in last year's 6 months. So overall, we'll be spending somewhere around INR100 crores only this year.

Moderator: The next question is from the line of Vishal Panjwani from Emkay Global Financial Services.

Vishal Panjwani: Congrats for the good set of numbers. We are already past 6 weeks into the Q3, so can you give some color on the demand trends? And especially how athleisure doing in current year? With the leader also launching sub-1,000 price point products, like how are we seeing competition in that sense?

Ankit Gupta: So the demand is good. In the third quarter, also, we are seeing good demand because of most of the festive season going into the third quarter. And plus winter wear products also has started moving from the distributor to the retailers also. In North India, we have seen some shift in the season, like morning and evening, temperatures are down. And yes, we are seeing good demand.

And the second part, like you were saying like which competition came out with what kind of a range? Sorry, I didn't get that.

Vishal Panjwani: So Page has launched sub-1,000 products in athleisure. So like are you seeing any competition in that sense in those ranges?

Ankit Gupta: So Page is never our competitor. So we operate in a very different market segment and the price points also are very different from what we sell. So -- and the entire market, the consumer segment is very different. So it doesn't really matter like whether Page is launching below-INR1,000 products or not because, still, it's higher when it's compared to our kind of company.

But overall, athleisure product, we are seeing good traction in the market. It's just that a lot of unorganized players are present in the market. But yes, people are opting for like good product, good quality products at reasonable pricing. That's what we provide them.

Vishal Panjwani: And we now started entering into quick-commerce space with this Zepto and Swiggy instamart. Are we planning to onboard more players in that sense? And like how are the unit economics in this?

Ankit Gupta: See, the unit economics are pretty much similar to what we have in the other e-commerce platforms. It's not very different. And moreover, we have started with Swiggy and Zepto, also the products have started getting dispatched from our warehouse to Zepto also. And very soon, we'll start off with Myntra Speed and Flipkart unit, which are the quick-commerce part of Myntra and Flipkart.

Apart from that, we'll be reaching out to a BigBasket and Blinkit as well. So we are planning to be present at all the platforms that serve quick commerce.

Vishal Panjwani: And like how has been traction in the women? Like what kind of marketing initiatives we are taking, like how is the marketing skewed across categories? Can you specify?

Ankit Gupta: So this year also, like any other year, we are spending around 40%, 45% on TV commercials. Around 20% of our total budget goes to the digital marketing. And the rest goes for the outdoor hoardings, the retail branding, retail -- like point-of-sale visibility. So that's where we spend. So this INR100 crores that we will be spending this particular fiscal, around 40%, 45% would be spent on the TV commercials and rest would be through the hoardings and the retail…

Vishal Panjwani: Ankit, my question is more with regards to understanding like how much is spent on Missy or men's innerwear or athleisure in that sense.

Ankit Gupta: That rationalization, we do every year. We take a call. Like earlier 4 years back, if you would have asked me, it would be 80%, 85% would be Bigboss. But now we have reduced the Bigboss to a sustainable level where nothing more is required in terms of advertisement. And we have rationalized that into Force NXT and Missy.

So in Missy, around 15% to 17% of our budget goes to Missy. Around 12% budget goes for Force NXT. And this is how we have rationalized among the different brands.

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

Prerna Jhunjhunwala: Sir, I wanted to understand the Force NXT improvement that is visible now. Is it the innerwear or the athleisure? And what is helping the growth in this brand?

Gaurav Gupta: So can I take this?

Ankit Gupta: Yes.

Gaurav Gupta: So in Force NXT, all the categories are doing pretty good. There's growth in every category. There's no degrowth in the existing categories. But at the same time, we have also launched something called sportswear, that's the activewear category and the socks, and that is why you are seeing the higher increase in the terms of volume and value in this particular brand. So we are trying to expand the categories in the premium segment as well.

Prerna Jhunjhunwala: Can you help us with the mix? Like how innerwear is doing in Force NXT and how activewear is doing?

Gaurav Gupta: So activewear, we have just launched activewear. It's just not even probably just been a year that we have completed. Or about, say, 9 months, 10 months. So even if I tell you the mix, if not be probably justified to you because socks got launched this year and active wear got launched like 8 months back.

Prerna Jhunjhunwala: So these 2 will be the growth drivers?

Gaurav Gupta: Yes, we are hopeful for these 2 categories to be the growth driver for the coming years as well. Especially after launching the more higher-priced MRP products; going into more of feminine fabrics, there's a lot of traction in the market. So that category is doing especially very well.

Prerna Jhunjhunwala: And how has been the performance of rainwear this first half and in this quarter?

Ankit Gupta: So in the first half, it was just the first quarter when the Rainguard was sold. So in a half yearly basis, we sold around INR16 crores -- we had INR16 crores of business coming in from Rainguard. Q2 is majorly muted for Rainguard because there's no sales which happens from the company side. The primary sales happens in the Q4 and Q1 only.

Prerna Jhunjhunwala: So as a category, how it was in Q4 and Q1? Whether it was in line with our expectations?

Ankit Gupta: Definitely. We saw a growth of like -- it was a 100% growth for us. And we did a good business. Like this particular season, Q4 of FY '24 and Q1 of FY '25, in totality, we did a business of somewhere around INR35 crores to INR37 crores of business.

Prerna Jhunjhunwala: And are we present across regions in Rainguard?

Ankit Gupta: Yes. We are present pan-India basis.

Moderator: The next question is from the line of Srinath Sridhar from Infinite Financial Services.

Srinath Sridhar: My question is, Q3 and Q4, based on your target of INR1,750 crores for the whole year, we still have about INR980 crores of revenue yet to achieve. So can you give us a breakup of what our numbers might look like in Q3 and Q4 of this year?

Ankit Gupta: So Q3, we are targeting that we should close somewhere around INR370 crores to INR400 crores. And in Q4 -- the balance would be Q4.

Srinath Sridhar: So that's INR400 crores -- almost we'll have to achieve INR580 crores in Q4, right?

Ankit Gupta: Last year was the first time when we crossed INR500 crores in any of the quarter. It was the first time for the company. So yes, we are very hopeful for the Q4.

Srinath Sridhar: So INR580 crores, almost INR580 crores in Q4.

Ankit Gupta: Somewhere around that. But yes, it really depends upon the season, where it pans out.

Srinath Sridhar: Right, right. So demand for this quarter looks good for you. I wanted to ask why is it seasonally a weak quarter, Q3?

Ankit Gupta: Because most of the focus, like all the mom-and-pop stores starts focusing on the thermal wear products. Like whether it be jackets or hoodies or sweatshirts or thermal wear which we make. So all the retailers focuses on more on the thermal wear rather than innerwear. And the thermal wear also, it really depends upon the season.

With last the last 2 years, the winter has shifted to January instead of coming in November. So the winter was late for the last 2 years, we have seen that. But this year, due to the extended monsoon, we are very hopeful that the onset of the winter season would be early…

Srinath Sridhar: My next question is, the numbers, even though your top line has been growing in both the -- it's not reaching the bottom line, mainly because of higher [Inaudible 43:24]. So what is your target on that?

Ajay Patodia: Basically, our target is to reduce working capital days by FY '26, around 135 to 140 days. And we have the internal target to become debt-free.

Srinath Sridhar: By when?

Ajay Patodia: By FY '27/'28.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I'm trying to understand that you alluded to the fact that in between, post COVID, the cotton prices shot up, yarn price shot up. Now they have again come down, the inflation also has come down. So now what is the problem? As far as I understand, cotton and yarn prices are at their long-term averages.

So basically now has what -- has any significant new players entered this category? Is it that other players, like other retailers, they have started their own private label? Or some B2C brands have come? Or is it that the existing players themselves are fighting amongst each other with -- more aggressively?

Ankit Gupta: So I would say it is mostly the last part that you talked about. It is because of the higher intensity of competition that we are seeing. We didn't see any new players coming in or impact from the private label. But it is because of a few players in our industry which led to such kind of problem in the profitability.

But yes, things are getting stabilized now. It was in the past, like FY '24, we saw a huge dent because of that. Plus also, when the prices started decreasing, we had to -- like all the players, they decreased it to a level and was unable to take the last price hike that they had to take to maintain their profitability.

Madhur Rathi: And sir, also, sir, now amongst our various sales channel, like the multi-brand retail that we do through dealer, through our exclusive brand outlet, through e-commerce and through quick commerce. So amongst all of these, sir, what kind of receivables we have and what kind of margins do we have in each of the segments?

Ankit Gupta: Sorry, what kind of?

Madhur Rathi: So, what are the receivables, let's say, from our normal -- the multi-brand dealers, what is our receivable and what is our margin? And from exclusive brand outlets, what is our receivable period? And what is our margin? What is our margin and receivable from e-commerce players? What is it from the modern retail? And what is this from quick commerce, like Swiggy, etcetera.

Gaurav Gupta: Overall, at the company level, if we talk about the realized sales figures, it's almost similar, around 50%, 52% kind of a realized sales that we see with respect to the MRP. And with respect to the margin level, the quick-commerce and all the e-commerce platforms are at a similar level. And even in this domestic sales also, the margin levels that we keep are almost at a similar level.

It's not that the e-commerce is more profitable and domestic is not that profitable because if you're selling on e-commerce platforms, also, you need to advertise digitally, you need to -- we occupy the mind space of your consumer, the target market. Although you can target much more specifically when we talk about digital marketing.

But the spend the -- what we call the ROI that we generate like after spending is much lower in digital marketing.

Madhur Rathi: So basically, what you are saying, that our margin in general trade, modern trade, company, the exclusive brand outlet that we have, and...

Ankit Gupta: It's almost at a similar level, yes. In exclusive brand outlets, we are not making any money right now. But this exclusive brand outlet has been treated more as an experience center for our consumers, where the consumer can actually see what are the product ranges that the company makes. Because if you go to a mom-and-pop store, you might find an innerwear or you might find the athleisure.

You might find the men's innerwear or women's innerwear. But you won't find the entire set of product range that the company is offering to the consumer. So it is just to change the consumer perception towards the company that we are operating our exclusive brand outlet. You can treat them as more of an experience center or advertisement permanent loading that we have over there.

Madhur Rathi: So I understood that, in our EBO, the margins are low and for understandable reasons. But among all other, general trade, modern trade and online, the margins are by and large they are same. Is that...

Ankit Gupta: Yes, yes, yes. By and large, they are same. They are at a similar level.

Madhur Rathi: And sir, what about the receivables? How -- what is the credit period for each of these?

Ankit Gupta: So in modern trade, mostly the large format stores operate on sales or return basis. Whatever gets sold, they pay in the coming months by 15. So that is the payment cycle they follow in the modern trade, and whether it be the e-commerce platform also. So whatever you sell this particular month, next month by 15, they credit the amount into your bank account.

And in domestic, in the sales through the distributors and the traditional channel, as per the company norms, the payment cycle is around 60 days. But yes, our receivable is on the higher side, which is somewhere around 110 and 120.

Madhur Rathi: And sir, what about online?

Ankit Gupta: I told you about the online, that whatever we sell this particular month, next month, it gets credited to our bank account.

Madhur Rathi: Therefore, the same for modern retail, for online and for quick commerce, there is no difference.

Ajay Patodia: Mostly same.

Madhur Rathi: Now sir, lastly, I wanted to understand that sir, all these efforts that we have been making in Projects Lakshya, etcetera. So basically, have we been able to shrink our -- the difference between the average selling price between the market leader and Dollar? And sir, how much was it like, let's say, a few years back? And how much is it now? And in your judgement, where do you want it to be?

And so what is -- if let's say, the market leader is selling at INR100, at what price are we selling at?

Ankit Gupta: So who do you consider the market leader?

Madhur Rathi: Page Industry, Jockey.

Ankit Gupta: Yes. So again, like I said earlier also, it is not our direct competitor. We operate in a very different market segment. He deals into the premium segment, where his ASP is 2.5x than ours. But if you see volume-wise, they are similar to what we sell at. So last year, we sold around 24 crores pieces. That was a similar quantity that Jockey also sold in the market. It's just because of the ASP that its revenue is being seen at 2.5x than ours.

So that gap can never be filled. That difference will always be there because he operates in a very different market segment. But yes, if you compare Force NXT ASP vis-a-vis Jockey ASP, our Force NXT is doing an ASP of around INR230 to INR240, which is close enough.

Madhur Rathi: Right. What about -- let's keep Jockey aside. What about Lux? What about Rupa? And what about...

Ankit Gupta: That is to the tune of 1%, 1.5% maximum. And going ahead, like within a 1.5 year, 2-year time period, we'll be able to cover that also.

Madhur Rathi: So basically, as of now, we are selling at, let's say, 1.5% discount to Lux, and we hope to bridge that in the, let's say, coming 2 years. That's...

Ankit Gupta: Yes, yes. So because the reason is we were a late entrant into the market as compared to Rupa or Lux. And they were -- they are present from 1952 or '55. And we came into picture in 1972. There is a 20-year gap. During -- when we started, in order to penetrate it into the market, the price difference was somewhere around 10% to 12% in the beginning. But over time, we have been able to build the bridge. And now the difference stands only around 1%, 1.5%, which is very miniscule. This can be covered in some quarters to come.

Madhur Rathi: So basically, we are selling at a discount to Lux also and Rupa also?

Ankit Gupta: So Rupa and Lux are at a similar pricing level.

Madhur Rathi: And sir, what about Dixcy and Amul?

Ankit Gupta: So our Dixcy products are not very much comparable apple-to-apple. Plus, they have been -- they have moved into more extra discounting, deep discounting kind of a model into the market. And I don't think that company is also growing from past couple of years. With respect to Amul, Amul is selling at a premium. So it will be somewhere around where Lux is only.

Madhur Rathi: So as far as we are concerned, basically -- other I understand that. And sir, as far as the in general trade, what the margin we give to our dealers? So how does that compare with Page Industries and also the other Rupa and Lux. Are we giving the maximum margin?

Ankit Gupta: No, not really. The margin levels for the distributor and at the retail level also is quite similar. But yes, there are some changes when we talk about Page Industries. The retail margin is very much restricted, I suppose. And even the distributor margin is quite similar to what we give.

Madhur Rathi: Basically, our margin like we give is similar to Lux and Rupa, but it is higher than what Page gives. Is that understanding, correct?

Ankit Gupta: To the retailer.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Ankit Gupta: Thank you all for taking the time out to join the earnings call. Have a good day. Thank you.

Gaurav Gupta: Thank you.

Moderator: Thank you very much, sir. On behalf of Emkay Global Financial Services, which concludes this conference. Thank you for joining us, and you may now disconnect your lines.