

**Date: 18<sup>th</sup> February 2023**

<b>The Secretary</b> <b>NSE Limited</b> <b>Exchange Plaza, C-1, Block 'G'</b> <b>Bandra- Kurla Complex, Bandra (E)</b> <b>Mumbai – 400 051</b>  <b>Symbol - DOLLAR</b>	<b>The Secretary</b> <b>BSE Limited</b> <b>Phiroze Jeejeebhoy Towers</b> <b>Dalal Street</b> <b>Mumbai – 400 001</b>  <b>Scrip Code :541403</b>
--	---

Dear Sir / Ma'am,

**Reg : Intimation of availability of Transcript on Analyst(s)/Institutional Investor(s) meet i.e. "Earnings Call"**

In continuation to our letter dated 8<sup>th</sup> February 2023 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 15<sup>th</sup> February 2023 at 4.00 pm (IST), organized by SMIFS Limited, on the interaction of the Company's representative(s) on the unaudited financial results of the Company for the quarter and nine months ended 31<sup>st</sup> December 2022 and/ or any other matter as discussed, is as enclosed.

Please note that the same is also available on the Company's website at [www.dollarglobal.in](http://www.dollarglobal.in).

This is for your information and record.

Thanking you,

Yours sincerely,

**For Dollar Industries Limited**

**Mamta Jain**  
**Company Secretary and Compliance Officer**

**Encl: As above**

**DOLLAR INDUSTRIES LTD.**

(AN ISO 9001:2015 CERTIFIED ORGANISATION)

Regd. Office 📍Om Tower 15th Floor 32 J. L. Nehru Road Kolkata 700071 India  
☎ + 91 33 2288 4064-66 📞 +91 33 2288 4063 ✉ care@dollarglobal.in 🌐 dollarglobal.in  
CIN NO. : L17299WB1993PLC058969



“Dollar Industries Limited  
Q3 FY '23 Earnings Conference Call”  
February 15, 2023



**MANAGEMENT: MR. VINOD GUPTA – MANAGING DIRECTOR -  
DOLLAR INDUSTRIES LIMITED  
MR. ANKIT GUPTA – PRESIDENT, MARKETING –  
DOLLAR INDUSTRIES LIMITED  
MR. AJAY PATODIA – CHIEF FINANCIAL  
OFFICER – DOLLAR INDUSTRIES LIMITED**

**MODERATOR: MR. SAURABH GINODIA – SMIFS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Dollar Industries Limited Q3 FY '23 Earnings Conference Call hosted by SMIFS 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 Mr. Saurabh Ginodia from SMIFS Limited. Thank you, and over to you, sir.

**Saurabh Ginodia:** Yes. Thank you, Nirav. Good evening everyone present on the call today. On behalf of SMIFS Limited, I welcome you all to Q3 and 9M FY '23 post results conference call of Dollar Industries Limited. We are pleased to host the senior management of the company. And today we have with us on the call Mr. Ankit Gupta, President, Marketing; and Mr. Ajay Patodia, Chief Financial Officer of Dollar Industries Limited.

We will start the call with some initial comments on results from the management, and post which we can open the floor for Q&A. I will now hand over the call to the management. Over to you, sir.

**Ankit Gupta:** Good evening, ladies and gentlemen. On behalf of the entire management team at Dollar Industries Limited, I welcome you all to the third quarter FY '23 post results conference call. I would like to inform you that today we have Sri Vinod Gupta, our MD, who has joined us in this call. I now like to hand the conference over to him for his opening remark.

**Vinod Gupta:** Good afternoon, everyone. It's always a pleasure talking to you, and thank you for joining us on the call. As you are aware, currently the entire hosiery sector is going through the most challenging environment of volatility in raw material prices, coupled with shift in seasonality and cyclical slowdown in discretionary demand of winter products. Our margins have de-grewed this quarter mainly due to higher material costs resulting from the utilization of raw materials which were purchased at higher prices in the previous quarters. But now things are getting settled down, and channel inventory has also been reduced due to low volume opted by the business partners in this quarter.

Recently company conducted an overseas conference where good feedback and positive response were received from the attended dealers, which is a sign of confidence that Q4 should be good. With these, we are expecting a good demand in the coming quarters due to early festival sales in quarter 4. Our marketing spends have also been optimized, and we do not have any major campaign in the coming quarter.

And now I would like to hand over to Ankit who shall share the highlights of the quarter with the team. Thank you.

**Ankit Gupta:** As mentioned by Vinod Sir, regarding current situation in hosiery industry, we are that sure these are the temporary effect, and we'll overcome all the hurdles. We are happy to announce that despite all these challenges, company generated a positive cash flow of INR 98 crores from operating activities in 9 months FY '23 as compared to INR 92 lakhs in 9 months FY '22.

In order to strengthen our market share, we have always been aggressive to increase our product portfolio by including a new range of products in the women's athleisure segment. And in Force NXT we have launched activewear. Our newly launched product, women's brassiere, is getting good response and traction from the market. And we are sure that its sales will keep on increasing.

Project Lakshya, our flagship project, is doing well and has increased the share of revenue contribution in our sales from 7% in 9 months FY '22 to 17% in 9 months FY '23. This has led us to strengthen our sales force for smoother operations. We have also planned to start this project in two new states of Southern India being Tamil Nadu and Kerala. We are sure that our idea of Theory of Constraint will help us in the long run to reach our FY '25 vision of INR 2,000 crores revenue.

Our efforts towards channel financing arrangement for our dealers continues to see good acceptance. We have already received positive response of 245 distributors, and we expect to onboard several more every quarter, which will ultimately improve our receivables. And also help us move forward our overall working capital improvement efforts.

We at Dollar are happy to announce that we have opened our 12th EBO on pan-India level. And 5 to 6 EBOs are expected to open by March '23, which will create extra demand in the D2C segment. In order to cater the demand of consumer, we ensure the supply of products through various channels from where demand can be fulfilled as a result of which our modern trade showed a growth of 52% on a 9-month basis, and e-commerce sales has shown 16% growth in sales on 9-month basis.

Our domestic sales contributes 89% to our entire revenue, whereas export and modern trade contributed 6% and 5% each. We would continue to focus on increasing our distribution network, strengthening the product portfolio and keeping our supply chain robust.

Thank you all. Now I would hand over the call to our CFO, Mr. Ajay Patodia.

**Ajay Patodia:**

Thank you, Ankitji. Good evening, friends. And I hope all of you are well. And thanks for participating in Dollar Industries earning call.

I will detail the financial performance starting with quarter 3. The revenue are as now some of you have read that is INR 285.89 crores compared with year-on-year INR 382.98 crores, a degrowth of 25%. Our EBITDA stood at INR 19.96 crores as compared to INR 65.8 crores in quarter 3 FY '22, a degrowth of 70%. Profit after tax for the quarter stood at INR 8.74 crores as compared to INR 44.41 crores, a degrowth of 80% on year-on-year basis.

Coming to 9 month FY '23 performance, revenue stood at INR 990.94 crores as against INR 973.34 crores in 9-month FY '22, a growth of 2% year-on-year basis. Our EBITDA for the 9 months stood at INR 90.44 crores as compared to INR 164.06 crores in the 9 month FY '22, a degrowth of 45%. Profit after tax for the 9 month stood at INR 54.56 crores as compared to INR 108.76 crores, a degrowth of 50% year-on-year basis. Our inventory stand at INR 435 crores as on 31st December, '22, as compared to INR 469 crores in September '22 quarter.

Now moving on to brand-wise contribution. In quarter 3 FY '23, Big Boss contributed around 38%. Our regular Dollar Always product contributed around 33%. Thermal segment contributed 12%. Dollar Woman Missy segment contributed 10%, Dollar Socks 4%, and our premium segment, Force NXT, contributed 3%. In 9 months ended FY '23, Big Boss contribution is around 41%, Dollar Regular 36%, Dollar Missy is around 10%, and Thermal segment is around 8%, Dollar Socks 2% and premium segment, Force NXT, around 3%.

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

**Moderator:** The first question is from the line of Ankush Agrawal from Surge Capital.

**Ankush Agrawal:** So my first question was around the slow dealer additions in the Lakshya projects. So the on-ground feedback from the distributor is very good for the project. But even after that, I mean, the rollout has been very slow. And in this year, 9 months only, you have added about just 50-odd distributors even though we had earlier guided about 150, 200 distributors for that year. So can you help me understand like why is it taking so long to roll out to existing distributors?

**Ankit Gupta:** So, Hi, Ankush, Ankit here. The thing is that, from past 2 months we have been implementing the new DMS system. And the reason why we had to change from our existing DMS to the new DMS is basically we wanted to create an environment wherein the DMS system talks with the field assist app on a real-time basis. So which will also be given by the new vendor as well as the retailer app that we are working upon. So to create this environment, we had to shift from our old DMS to the new Distributor Management System.

And while implementing this thing, it's a technical thing. So obviously there are always glitch when you implement a new system, right? So this is the reason why the rollout have been really slow because without the proper DMS system, we can't roll out the project or onboard any of the new distributors. And that is the reason why there has been a slowdown in onboarding a new distributors. But now, like in 7, 8 days, we'll again start rolling out new distributors in this particular program. And the speed will be increased.

**Ankush Agrawal:** Okay. So in Q4, it will pick up, right?

**Ankit Gupta:** Sorry?

**Ankush Agrawal:** From Q4 onwards it will pick up, new distribution addition?

**Ankit Gupta:** Yes, yes.

**Ankush Agrawal:** Okay. Secondly, couple of data points. So what was the volume growth for the quarter?

**Ankit Gupta:** So for the quarter there was a volume degrowth of around 32% and an ASP growth of around 7%. So overall, there's a de growth of 25% at a...

**Ankush Agrawal:** Okay. You said, 22%, right, volume degrowth?

**Ankit Gupta:** 32%, 32%.

- Ankush Agrawal:** 32%, 32%, 32%, okay. And secondly, can you give the data points for Lakshya scheme. Like what is the total revenue for Q3 and 9 months? And also the like-for-like growth that you had given last quarter. So for 6 months you had given a number that we had done about 46% -- 43% volume growth for 6 months in Lakshya. So similar kind of metrics being given for this quarter and 9 months?
- Ankit Gupta:** So if we see that at a company level there's a volume degrowth of 32%. But when we talk about 9 months ended figure year-on-year for the distributors who were present last year also and this year also working. We saw -- sorry, quarter-on-quarter -- year-on-year for the third quarter, not 9 months ended. If you compare the distributor performance last year, third quarter versus this year third quarter, we saw a volume degrowth of somewhere around 4% to 5%. So which is still very lower than the kind of degrowth or the volume degrowth that we have faced overall at a company level.
- Ankush Agrawal:** Right. This is for Q3, right?
- Ankit Gupta:** Yes, for the Q3. Overall, the revenue share coming in from Lakshya project has increased from 7% to 17%.
- Ankush Agrawal:** Yes, that is given, like for 6 months we had done a sale of around INR 98 crores, so that number for 9 months of Q3.
- Ankit Gupta:** Yes. So in the 9 months ended we have done around INR 150-odd crores business through this particular project.
- Ankush Agrawal:** INR 150 crores?
- Ajay Patodia:** INR 152 crores.
- Ankit Gupta:** INR 152 crores, yes.
- Ankush Agrawal:** INR 152 crores. Okay. Okay. And if you can give that volume growth and revenue growth like-for-like, for example, 6 month it was 43% volume growth and 46% revenue growth, which you gave in Q2. So similarly, that number for 9 months would be?
- Ankit Gupta:** So I don't have that number handy with me right now on a 9-month basis. If you see for the third quarter, it's a 4% volume degrowth. And the value growth would be somewhere around 2.5%, 3%.
- Ankush Agrawal:** Right, right, okay, got it. And lastly, so if I see the overall revenue contribution for Project Lakshya, it's about 17%, which is for last many quarters trending similar to the count of distributors. So our distributor count versus the total count in the Project Lakshya is similarly around 17%, 18%. So I wanted to understand why is it not increasing because if the Lakshya distributors are doing so well, ideally their revenue contribution to the overall business will be much higher than the number of distributors. So where is the mismatch coming from, if you can explain?

**Ankit Gupta:** So like, we closed last year, FY '22, with 142 distributors. And this year we have onboarded somewhere around 65, 66 new distributors into this particular project in the 9 months, right? And past 2 months, what's happening is there has been a problem with our DMS system, implementing the new system. And that's why it's difficult to actually compare. And while you are onboarding new distributors also, it takes around 3 months to stable them, to stabilize in the market to do the complete rollout in the market also. So that is why you are unable to see much of a difference over here. But I'm very sure that as soon as we onboard more and more distributors, we will be able to see the exact growth levels that we are getting in this particular project.

**Ankush Agrawal:** But at a qualitative sense, would you be able to confirm that the luxury distributors are doing much better than your traditional distributors on a like-for-like basis?

**Ankit Gupta:** So just a second. So on a 9-month basis, I would love to tell you that we did a volume growth of 19% in this particular project, Project Lakshya. On a 9-month basis. So obviously we are doing really good with this particular project because at a company level on a 9-month basis we have a volume degrowth of 6%. And if you see the other players also in the industry who are at an overall volume degrowth. But in this particular project there has not been a volume degrowth till now. So this is a very good sign or a positive sign which shows that this particular project is the way to go forward.

**Moderator:** The next question is from the line of Surya Narayan from Sunidhi Securities and Finance.

**Surya Narayan:** Just to understand that the current situation is not the conditions for us to grow volume-wise, volume degrowth is happening. So just to understand because we are more or less focused nearly 80% economical section. So what has led to kind of degrowth? So is it the price that is the factor because income level has not gone down. So what is the -- what is, in your case, what is the feedback you got from the field level?

**Ankit Gupta:** So the thing is that the feedback that we are getting from the market of what we are seeing in the market is, although there is a psychological effect with the channel partners, but at the consumer level also there has been some amount of decline on the demand side during the third quarter. Since in the third quarter what happened is all the retailers pushed the innerwear segment in the back store. And in the front side there are thermals or hoodies, jackets or winterwears which are showcased at the retail store. This time the winter season was very late, first. And secondly, very less offtake in the market. So this is a major reason why there has been a slowdown in terms of the particular product.

**Surya Narayan:** But are we seeing any degrowth in the men and always?

**Ankit Gupta:** Yes. So overall volume degrowth which we have seen in the third quarter, so there has been a volume degrowth in our Big Boss and Always, Dollar Man and Dollar Always, we have seen a degrowth. And the major reason is because of the shift of winter season and the retail stores are more focused on the winterwear segment rather than the innerwear, thus the psychology was the people were really sceptical in purchasing more and more because they were thinking

that there will be more price cut even though we gave them a lot of comfort, but didn't come into play. That was the main reason why there was a volume degrowth in the third quarter.

**Surya Narayan:** So is there any cyclicalities exist in this segment, especially innerwears, men innerwear. Are you pursuing that now again sales will return after a lag of, let's say, 1 year or so?

**Ankit Gupta:** Sorry, I didn't get your...

**Surya Narayan:** I'm asking whether there is cyclicalities exist in the buying or the demand of these men's innerwear wherein you foresee that demand will again, robust demand will again come back after 1 year or 2 year, so is it? I mean, on some quarter.

**Ankit Gupta:** So what happened is in, see, we deal in very basic products, it's not fashionable. And the thing is, see, people can't do away with innerwear. They can defer the purchase, they can postpone the purchase but can't do away with it. So the demand will always be there for the product. It's just a phase that will pass. So the demand will definitely come.

**Surya Narayan:** So, can we believe that now the consumers have stopped heavily during the earlier parts so that now they are now were willing to buy?

**Ankit Gupta:** Sorry?

**Surya Narayan:** Can you assume that now the consumers have stocked heavily in their wardrobe for, in the last year, so for which the sales are not returning because sales across the industry is down? So that is the reason I'm asking.

**Ankit Gupta:** The things is, we...

**Surya Narayan:** Basically it is perceived that it is very essential items, still essential items are not moving. So that is the reason I'm asking?

**Ajay Patodia:** See, generally in quarter 3 mainly sales contribute through the winter garment only. And with contribution during quarter 4 and quarter 1 only. So generally, in this quarter, winter garment sale is more contribution. But due to late coming of winter and shifting of seasonability, the winter sale is not happen in this quarter. Therefore, there is a de growth in the total revenue. But in this quarter, in current quarter, already consumer is back and demand is back, and we think that we get the good improvement in the current quarter.

**Surya Narayan:** So are you going to scale down your advertisement revenue expenses in relation to the decline in sales?

**Ankit Gupta:** Currently, no. But in the fourth quarter there is no major campaign which is going to happen. But overall our strength would be somewhere around 6% -- 5.5%, 6% of our total sales.

**Surya Narayan:** Okay. Any progress on the new states?

**Ankit Gupta:** For Project Lakshya?



- Surya Narayan:** Not Project Lakshya. I mean we were actually attempting to spread over new steps like some of the south states and some central states. So what is the progress? Where you have reached?
- Ankit Gupta:** We were trying to bring our focus through the southern part of India wherein our sales have been around 6% up till now. But this particular year, it has been 9%, 9% contribution is coming on from South. And the reason why we are starting Tamil Nadu and Kerala also is because we want to complete the entire South India through Lakshya project because we are seeing a very good traction coming in from south through this particular project. And that's how we'll be taking more and more market share in the southern part of India.
- Surya Narayan:** Okay. And what is the status of the -- your production planning to FICO integration? SDP.
- Ankit Gupta:** Sorry?
- Surya Narayan:** What is the current status of your integration to production planning with the SAP, FI and other models? You are saying that...
- Ajay Patodia:** Yes, yes, yes. We are starting that SAP trial from 1st of March itself and implemented from the 1st of April '23. We are beginning the trial run.
- Surya Narayan:** Ajayji, what level because you are unable to raise the prices because of the competitive scenario. At what level of cotton do you see you will be generating at least normal profits? This profit is very subnormal. So I would say, do you think at least at INR 150 or so per kg it will be profitable?
- Ajay Patodia:** Pardon, regarding 150 total profit for the current year?
- Surya Narayan:** That's what I'm saying. At what level you believe you will be making -- I mean, at least normal, super-normal profits for the shareholders?
- Ajay Patodia:** Current year, up to 9 months, we have the profit of around INR 90 crores of total turnover of around INR 90 crores. And we expect, in the current quarter we expect more demand and also some increase in the EBITDA margin also.
- Moderator:** The next question is from the line of Shikha Mehta from Equitree Capital.
- Shikha Mehta:** A couple of questions. Can you tell us how much you did on the Thermal side this quarter and for the 9 months?
- Ankit Gupta:** Yes. So we have seen almost 30% degrowth in our Thermal sales. So last year, 9 months basis, it was somewhere around INR 100 crores vis-a-vis INR 75 crores this year. And on a third quarter basis, last year it was somewhere around INR 40-odd crores, and this year it was INR 34 crores.
- Shikha Mehta:** Okay. And in Q1, sorry, in Q4 since the winters have now come in Jan, are we expecting any Thermal sales? Or will that not happen?

- Ankit Gupta:** No, no. That won't be happening because what happened is the channel partners or the retailers, they already stock up their goods in the month of -- they start stocking up from the month of September and goes up till November. And after that, they stop the purchase of thermal wears. And unless it is absolutely necessary, they just give the orders for the cut prices that is happening in the market. Otherwise, it's a no-no.
- Shikha Mehta:** All right. And do you still have some amount of high-cost inventory on our books? Or is that done away within Q3? And Q4 should not see the impact of that?
- Ajay Patodia:** We already optimized the inventory cost in quarter 3 only. So there is no -- I think there is no high cost inventory in current quarter.
- Shikha Mehta:** So Q4 will not see the impact of this, right?
- Ajay Patodia:** No, no, no.
- Shikha Mehta:** And on an industry level, are we seeing restocking happening now? What are the inventory levels at? Do you have any idea?
- Ankit Gupta:** So at an industry level, some amount of destocking has happened from the distributor and the retailer side. And that is the reason -- that is one of the main reasons why there has been a volume degrowth. But going ahead, we see a very positive energy amongst our distributors. And lot of distributors are doing retail conferences also in their particular region, which will definitely boost the demand for our products.
- Shikha Mehta:** Any idea what the inventory level would be at?
- Ankit Gupta:** It is very hard to tell without proper system in place because still most of our distributors are not in the distributor management system. In Lakshya project, it is being maintained somewhere around 30%, 34% -- 30 to 34 days, not more than that.
- Moderator:** Next question is from the line of Abhijeet from Pi Asset Management.
- Abhijeet:** My first question is, how are raw material prices shaping up? And what is your expectation going forward?
- Ankit Gupta:** So currently, the cotton prices are somewhere around INR 65,000, INR 67,000 per candy. And I think it has gone stable right now and we don't see any major movement happening at the cotton level. The yarn prices also on an average it has come to INR 280 per kg. And I think that's a stable price currently, and we don't see any major movement happening in near future.
- Abhijeet:** So in a case when we don't have any high-cost inventory left, so will it be clear to resume that margins have bottomed around the current level?
- Ankit Gupta:** Yes, the margins are definitely at a very low level, but that's the bottom, rock bottom margin that we have touched right now. But going ahead, the margins are going to improve, definitely.
- Abhijeet:** Can you quantify the improvement?

- Ankit Gupta:** It would be very hard that in the environment that we are in currently not only in terms of raw material volatility, but also at industry level also, the external factors are huge. It would be very hard to quantify a particular amount or percentage. But definitely what we have seen in the 9 months ended the figure, it has to be better than that.
- Abhijeet:** The next question would be regarding demand. Can you shed some light on the demand scenario and triggers going forward?
- Ankit Gupta:** So in the fourth quarter, what we are thinking, around 14% to 15% growth year-on-year on -- in Q4. This is what we are focusing towards.
- Abhijeet:** So that would be a big number, I guess.
- Ankit Gupta:** Sorry?
- Abhijeet:** So we can assume that Q4 and Q1 of next year will be much better than Q3 of this FY '23, right?
- Ajay Patodia:** Sure.
- Ankit Gupta:** Yes.
- Ajay Patodia:** Correct.
- Moderator:** Next question is from the line of Ankush Agrawal from Surge Capital.
- Ankush Agrawal:** So now like you had given your guidance that by FY '25 we want to be INR 2,000 crores top line company with 17% margins. So I wanted to understand what are the levers that will lead you to this margin? So will it largely be scale-driven or some cost savings will come in? Or do you expect that with the new Lakshya distribution and brand rebranding we expect a better pricing for yourself? So what are the levers that will help you go from like 12%, 13%, which was your normalized margins to the 17% that you're targeting?
- Ankit Gupta:** So we are still focusing on having INR 2,000 crores revenue by the end of FY '25. And our main focus is to implement or to roll out more and more distributors under this particular project, as well as we are increasing our sales team, increasing our distributor strength also in order to increase our volume and also to increase the ASP at a company level. So like if you see 9 months ended in our athleisure segment also, which was contributing around 11% to our total revenue, now currently this particular fiscal it is contributing around 12% of the total revenue. So we are seeing that shift in terms of newer product categories, getting traction and all those things. And that's how we are trying to achieve INR 2,000 crores by FY '25.
- In terms of margin, so in terms of margin, what would happen is we -- as you rightly said that we said it would be INR 2,000 crores with somewhere around 16% to 17% of a margin level at an EBITDA level. So a lot of costs will also get rationalized, the fixed cost that we have. That will also get rationalized. The advertisement cost won't be at a 6% level at an INR 2,000 crores revenue level. So there will be a percentage saving over there as well. Overall employee cost won't increase to that particular level. So from INR 1,300 crores revenue to INR 2,000 crores

revenue, the employee cost will also not increase proportionately. You just need to add few more employees, but with the -- but majorly it will come from the current strength that the company has. So all this rationalization taking into place we were very hopeful that we'll be able to do 16% to 17%.

**Ankush Agrawal:** Sir, within this margin band that you're saying, so have we accounted for the reward scheme that we have rolled out to the retail and distribution channel for the Lakshya case because I think that is a decent amount that we might have to shell out?

**Ankit Gupta:** No. So we already take provision on every quarter based on the number of points that we have given to the retailers. And there are many retailers who are redeeming their products on a quarterly basis as well. So till now, from the start till now we have already redeemed 1,200 gift items for our retailers, which is like around 1,100 retailers who have redeemed their points, and they are more than satisfied. And once after that redemption happened, after they received the goods also. So their energy level was also to be seen. They connected, they become loyal to the company even more. So yes, it is well within the limit, and it has been accounted for.

**Ankush Agrawal:** Yes. So would you be able to give some blended rates? So, for example, if we do a sale of INR 100, our sales, not the retail and distributor level sales, our sales, what could be the approx reward that will be accounted, like it would be like 1%, 0.5% broad range?

**Ankit Gupta:** So generally in our industry what happen is that schemes and discounts that we pass on to the channel partners, whether the distributors or the retailers, it's somewhere around 5% to 6% in totality. In Lakshya what we are doing is we are curtailing it to 3% to 4%.

**Ankush Agrawal:** Okay. And for the differential, you are doing this rewards?

**Ankit Gupta:** No, this is the differential. Like the rewards account for 3% to 4%. Rest, it has been given to the distributor for the margin protection. So because we are freezing the distributor margin in this particular program, whereas in our traditional channel there is no margin protection or the distributor can even work in 1% margin, 2% margin. But over here, we are giving them a decent margin. So that their ROI, overall ROI also increases.

**Ankush Agrawal:** Okay. So you're saying that in traditional channel we used to give 5% to 6% dealer scheme, instead of that we are just giving straight 3% rewards is what you are trying to say?

**Ankit Gupta:** Yes, 3%, 3.5% is the amount that we have earmarked for our reward scheme.

**Ankush Agrawal:** Okay. So you get, say, 1%, 2% delta from there itself.

**Ankit Gupta:** Yes.

**Ankush Agrawal:** Right, right. Secondly, sir, I wanted to understand a little bit on the credit policy. So what would be the credit policy in the current general channel? And what is the credit policy for the new Lakshya scheme, if you can highlight?

**Ankit Gupta:** The credit policy at a company level has always been 45 days. So if it is improved, give them a levy of around 10, 15 days. But post-GST, demonetization, we got a bit liberal also. And that

is the reason why our receivable days are somewhere around 9,900 days. It rose to 125, 126 days also in between. But past 2 years we have been working really, really hard to bring that down from 182 kind of a working capital day cycle to 153 in the last year. So this is how we have been working. And we are trying to reduce our overall receivable days as much as possible.

**Ankush Agrawal:** So within the new Lakshya scheme, like are there some hard rules or something that will allow you to receive your credit within this 45 days limit that you have set. Like earlier, like you are saying that earlier also it was 45 days, but you were not able to collect. But with the new Lakshya scheme, are there some kind of firewalls or something that will allow you to do it much better.

**Ankit Gupta:** Sorry. We have been really strict in our Lakshya project. And the bargaining power stays with the company. We are not being kind or liberal so that our sales increases. We are very stringent about the collection policy. Yes, sometimes we give them, given the market scenario, we give them a levy of 10 temporal day, but not more than that, yes.

**Ankush Agrawal:** So like you're saying 100 days is the receivable at the company level. So at Lakshya scheme level I think you earlier mentioned about 60, 65 days. So that is a broad number that we have to work with, right? Assuming that at 4, 5 years down the line, the entire company is on Lakshya. So your receivable days should come down to about 500, 60-odd days?

**Ankit Gupta:** Definitely.

**Ankush Agrawal:** Right. Sir, and lastly a follow-up to this. So now you have started getting a lot of distributor on the channel financing as well. So will channel financing help you reduce this more from like 50, 60 days to much lower on that?

**Ankit Gupta:** So most of our distributors in Lakshya are already there in dealer financing scheme. And in DFS system what is happening is our overall receivable cycle is somewhere around 10, 11 days because we pulled the money after they received the goods. So after the invoice has been made, we pulled the money after 10, 11 days. So a minimum that will be there. And we are trying to bring on board more and more distributors.

So there are large distributors also in each and every state, like who contributes around 10% sale of that particular state or 11%, 12%. So these kind of big distributors, they won't be coming. Currently we are not finding any traction from them to come on board for the DFS system. So yes, that will -- that is one point where we are stuck right now. But overall, yes, the distributors are very happy to come on board on the DFS system, and we are getting more and more distributors inquiries also for onboarding them.

**Ankush Agrawal:** Okay. So the distributors who are in the DFS scheme, they will have 10, 15 kind of credit days? The Lakshya is like around 50, 60 days? And the traditions we 100 is what you are saying? No?

**Ankit Gupta:** Yes, yes.

- Moderator:** Next question is from the line of Shrinjana Mittal from Ratnatraya Capital.
- Shrinjana Mittal** So my question is similar to the previous question that you were asking. So it was around Lakshya project. So last two quarters, like the distribution addition that we saw was like it was a bit slower than, earlier it used to be around 20 distributors used to be added around in per quarter. But last two quarters we saw that -- since last quarter distribution addition has been a little on the lower side. So just wanted to know that is there any change in your thinking or has recruiting new distributors become difficult?
- Ankit Gupta:** No. So the thing is that since our industry was going through a turmoil, what happened -- and also the technical side where we were changing the DMS. So both were into play, and it's not that we have slowed down the project or something like that. It's just that the sales that we have started already, like Haryana, Rajasthan, Gujarat, Mumbai, part of Maharashtra, which is the Vidarbha area, Karnataka, Telangana, all these states are almost at the verge of completion. So they are almost completed, right?
- And so now we need new and new states who can jump into the picture. So we have earmarked Tamil Nadu and Kerala for coming into this particular project. Bihar, Orissa, northeast. So we have started few states. And few more states will be given in the time to come. Whenever we start a new state or decide to start a new state, we have to hire a lot of team members, whether it be the state head or the field sales officers, like the TSO that we call. So it takes a bit of a time. So that is the only reason why you are seeing a small slowdown kind of a thing. But there has not been any change in our thinking process. We are very in for this particular project and the overall concept of Theory of Constraint.
- Shrinjana Mittal:** Okay. Understood. And just one follow-up. So from the distributor side, there is -- like distributor side there is no resistance, right, to get on the Lakshya?
- Ankit Gupta:** No, no, no, not at all, not at all. In fact, they are really very happy also.
- Moderator:** Next question is from the line of Nishit Shah from BLF Partners.
- Nishit Shah:** I'm new to the company, so I have a few questions about Project Lakshya. Firstly, could you just briefly explain what is Project Lakshya and how is it very different from the traditional business model, distribution model that existed before? I found some details in your previous calls, but I'd like to hear maybe a more detailed explanation if possible.
- Ankit Gupta:** So this Project Lakshya is based on the Theory of Constraint, wherein we are trying to achieve the increase in the reach and range of our product. In our traditional channel, what happened is our sales gets completed when we bill it to the distributor and we have no visibility that which retailers is selling to or in what quantity, which kind of a product the retailers are demanding or -- and there are some nuances also in terms of encroaching each other areas or slashing the price, working on a very thin margin levels. But in this particular project, what happens is we fixed the distributor's margin. We fixed the retailer's landing price as well. And also we give the distributor or the distributor management system, so we track each and every movement of the goods.

So after we bill it to the distributor also, at a company level, the sales is completed, but we take extra efforts so that the secondary also happen at the same rate, and it is based on our replenishment model. So in traditional channels, we used to see the quarterly spikes or yearly spikes in terms of sales. But over here, the sales spikes have done away with. And we are having a stable sales all throughout the year each and every month with a variation of like 5%, 10% here and there, that's it. But overall, there's a regular demand in the market. There's no push selling that is happening.

So we are moving from push sale to a pull sale model. And also, we have each and every data as to in which pincode which retailer is buying what and what he is reordering. So ultimately, we get an idea as to what are the kind of products that the consumer is purchasing at a retailer point at which pincode. So we can do target marketing also after we collect a lot of data. So we can do a target marketing. We can do product-focused marketing. So a lot of strategy can be made around that data points. So this is what we are trying to achieve through this particular project.

**Nishit Shah:** And in further, as you go along with this, so then you had traditional distributors who would -- who you would stock with earlier. The same distributors are opting in for Project Lakshya as well?

**Ankit Gupta:** So it's a mix of both. There are old distributors who are coming on board with this particular project. But in some areas where the distributors are not comfortable, first right of refusal has been given to them. So we are changing the distributors also where the distributor is not cooperating.

**Nishit Shah:** Got it. And so the traditional model wherein you all bill to distributors and they bill to retailers, that model as it stands has not changed, but it's basically giving you additional visibility via Project Lakshya. Am I right?

**Ankit Gupta:** Yes.

**Nishit Shah:** Got it. And can you also shed some light on the distributor financing scheme that you have going on right now? And the linkages for that with Project Lakshya?

**Ajay Patodia:** Yes. Currently, in our channel financing scheme, our partner is ICICI Bank. And through ICICI Bank we finance our distributor. And in this process we follow the -- we provide the details to the ICICI Bank and after receiving the request from the distributor. And once the ICICI bank check their CIBIL and other requirement as per RBI guidelines, they sanction the loan. And all the process is digitized and in digital mode only.

Once the request given by the distributor, it only takes 6 to 7 days to sanction the loan and use the same facility. And in this case, after 90 days of the payment, within 90 days the distributors have to pay to the ICICI Bank. And the total interest is reimbursed by, in the billing process around 2% in discount format. And in this case, company get the money within 11 to 12 days. And the distributor have to pay within 90 days through the ICICI bank. So it is beneficial for the company also and distributor also.

**Nishit Shah:** Understood. Understood. Great. And I had another question about the distributor setup as we had. So an existing distributor would then go ahead and bill to a retailer. Do you have any visibility as to how many retailers would a distributor be working with? And is there a possibility of, say, Dollar working directly with retailers since it's a financed scheme anyway?

**Ajay Patodia:** Yes, in Lakshya project, in Project Lakshya we have the total detail about total retailers meant with the distributor itself. We have all the data within our system that when the retailer calls, when the retailer pays the order, when he gets the order, what quantity he ordered, what type of quantity he ordered and what are the numbers and what are the sizes is required by him. So we have the proper data with us regarding the product requirement in particular area. So accordingly, we have projected the future sales which type of product we have to product and - in taking in the production.

So inventory level is maintained at every level. But in traditional sales, we have only knowledge about the total databases of retailer attached with the distributor. But day-to-day data, we have not mapped in our system. Only retailer attached in our -- with Lakshya distributor is captured in our system. So we are in the process to implement a Project Lakshya to all over India so that 60% to 70% of our distributor come in the purview of Project Lakshya. So once this is happened, we have the -- all the data related to retailers also.

**Nishit Shah:** Understood. Great. And sir, any idea about how the competition has reacted to Project Lakshya. And do you think Dollar is uniquely positioned to capture this if this picks up really well, which it has?

**Ankit Gupta:** I would say that we are the first mover in this particular project. And it is really very difficult to replicate this particular model. And we have already hired the pioneer who are -- the consultant who are pioneer in this particular Theory of Constraint model with some exceptional USPs that they have, which others don't. So obviously, given the traction in the market, the feedback, the other players might be trying, but we have no such knowledge about it.

**Moderator:** Next question is from the line of Jatinder Agrawal, individual investor.

**Jatinder Agrawal:** So my questions are actually not related to the quarter. So if you could pardon me for that. And they are actually to be addressed from Mr. Vinod Gupta. Sir, I have four questions. I'm sure there are business reasons for some of them, but I would like to know your thought process and probably consider some of these points that I raise today on the call. Sir, the first point is related to Dollar Brands Private Limited. So I believe the brand actually sits in the private limited. And again, I would presume that, that is owned by the family.

And as Page Number 146, I think there is a very small amount of royalty that we pay out. I presume that, again that is only for the brand usage. This is the largest listed business of the promoter group. Why would you like to have a brand setting outside in a private limited company, which again is owned by the same promoter family? My second question is related to your auditors. I think we changed to the current auditor sometime in 2018.



Coincidentally, they are also the auditors for one of our competitors, and they are also based out of the same city. Maybe at the upcoming AGM, if you could reconsider appointing another chartered accountant for our statutory audit. Sir, my third point is related to related parties. So when I look at Page Number 159 of the annual report, there are a host of actual related party companies which seem to be in textile, plus or minus here and there, and then there are some other companies.

Again, the transactions that we do with them on the next page are not really material. If you could share your thoughts and maybe how to go about looking at these numbers as we go forward? My last is, again, a request, actually. I have had the opportunity to meet Ankit, but I believe the third generation is again in the business, Gaurav is in strategy and Aayush is in sales. If you could actually host a meet maybe in Calcutta or in Mumbai, whatever, we would get the opportunity to interact with the third generation in the business. So these are four points. You could share your thoughts. And that's it from me.

**Vinod Gupta:**

Yes. Thank you, Jatinder, for being on this line and asking relevant questions. Firstly, I would like to say that Dollar brand actually doesn't -- was not previously owned by Dollar Brands Private Limited, it was being owned by my father only, Sri Dindayal Gupta, who had propitiated into this business with 1972.

Now since he is very old and this particular Bhawani Textiles was the owner of the brand, it got converted, that Bhawani Textiles into a private limited company, Dollar Brands Private Limited, where in all the 40, 45 brands have been transmitted. So it's with the permission of the registrar of trademarks authority of India.

And now we have an opportunity, maybe 2, 3 years later of getting these Dollar Brand Private Limited merged into Dollar Industries Limited so that we can bring in this brand on the platform of Dollar Industries. That was the back-end exercise we have done. So getting to a proprietorship organization brand into the company, there are lots of hassle terms of taxability and the other problems are there.

So our first step was to get that proprietorship organization converted into a private limited companies. That first stage we have already covered. Now we will continue with this Dollar Brands Private Limited for 2 more years. And we will look for some specific opportunity wherein then we can get these Dollar Brands Private Limited merged with Dollar Industries so that the brands should come on the main platform.

Now regarding the royalty part, royalty is hardly 5% of the total revenue of the company we are paying to this company. Number 2, you were speaking about the auditors. Auditors, actually we have got Singhi & Company. After big 4, they are one of the largest auditors of the country. They have a good number of big companies into their file. I mean, they're working for them. And we have recently renewed their terms of agreement, I mean the assignment for 5 more years. And after this second slab of these 5 years is getting exhausted, then of course we will have no option but to go in for big 4 only. So that will only happen after this second turns of assignment is over.

Now number 3 point is on the RPT. See all the related party transactions are being done with our own group company. Those are paid out at arm's length only. We have appointed auditor also to look into this as because the quantum of the RPT is now, is as big as we need to get it verified by an independent auditor to certify that the things have been done at arm's length. And there also we are already working on the program wherein we can get some of the companies who are there on the RPT to get merged with the Dollar Industries. That proposal is also on the table. But it is taking some longer time because of the complexity. So in future, we might get some of the companies merged with other industry.

**Jatinder Agrawal:**

All set. And sir, on the last request to meet the third generation.

**Vinod Gupta:**

Of the last request, Ankit will take your request, and we'll try to make it possible as soon as possible.

**Moderator:**

Thank you very much. I now hand the conference over to the management for closing comments.

**Ankit Gupta:**

I take this opportunity to thank everyone for joining this call. I hope we have been able to address all your queries. For any further information or any queries that you might have, kindly get in touch with us. Thank you once again. Have a good day.

**Moderator:**

Thank you very much. On behalf of SMIFS Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.