"Dollar Industries Limited Q1 FY '27 Earnings Conference Call"

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MODERATOR: **MS. ANJALI OJHA – ANAND RATHI SHARES AND STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Dollar Industries Limited Q1 FY '27 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Anjali Ojha from Anand Rathi Shares and Stock Brokers. Thank you and over to you, ma'am.

Anjali Ojha: Thank you. 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 and Mr. Ajay Patodia – Chief Financial Officer.

I will now hand over this call to the Management for their opening remarks. Over to you, sir.

Ankit Gupta: Thank you, Anjali. Good evening, everyone, and welcome to our Q1 FY '27 Earnings Call.

Before we begin, I would like to extend my sincere gratitude to our shareholders, analysts and partners. Your continued trust is what drives us to maintain execution discipline, uphold the highest standards of governance and remain focused on compounding long-term value.

I would also request everyone to take note of the Safe Harbor statement in our presentation.

We are pleased to report that operating income for the quarter stood at INR 405 crore. Gross profit for the quarter grew 6.9% year-on-year to INR 151 crore with the gross profit margin expanding 192 basis points YoY to 37.4%. This improvement was supported by the calibrated price increase implemented during the quarter which we had flagged in our previous call, and it is encouraging to see it translate into healthier realizations and stronger margins.

Operating EBITDA rose 11.4% year-on-year to INR 48 crore with the operating EBITDA margin improving 106 basis points year-on-year to 11.8%, reflecting the benefit of better gross margins alongside our continued focus on operational efficiency.

Profit after tax grew 22.1% year-on-year to INR 26 crore with the PAT margin expanding 108 basis points year-on-year to 6.4%.

Moving on to Project Lakshya:

As indicated previously, we have now commenced Phase-2 of Project Lakshya. We have begun building the team for this phase and have started mapping the retailers we aim to activate across our target markets. Our initial focus is on strengthening our presence in the stronghold states by increasing the number of active retailers, thereby deepening our market share in these regions.

In parallel, in markets where our presence is currently limited, we are analyzing local competitive dynamics and retailer potential to develop tailored market entry strategies. As on June 2026, we have 327 Lakshya distributors across 14 states and Lakshya distributors contributed 31% of our business to Q1 FY '27. As the program scales, we expect this to continue driving increased market penetration, stronger secondary sales, and improved working capital efficiency at the distributor level.

Let me now highlight some of the key business and operational trends during the quarter:

Our continued investments in newer channels are yielding encouraging results. The quick commerce channel sustained its strong growth trajectory, recording 59.4% value growth and 15.1% volume growth year-on-year, with its contribution to revenue increasing to 5% in Q1 FY '27 from 3.1% in Q1 FY '26. This underscores the growing relevance of these channels and the evolving buying behavior of consumers.

Moving to our brand portfolio, Dollar Protect, our rain guard segment, continued to perform well, recording 49% value growth and 68% volume growth in Q1 FY '27 and contributing 5.6% to our total overall revenue.

Our regional performance also remained encouraging. The southern region delivered 22.9% value growth and 7.3% volume growth on a year-on-year basis, taking its contribution to our overall business to 8.9% in Q1 FY '27 from 7.2% in Q1 FY '26. We remained focused on strengthening our presence and capturing the opportunities available in this region.

Our export business also continued to perform well, recording 16.2% value growth and 15.5% volume growth year-on-year, with its contribution increasing to 4.9% in Q1 FY '27 from 4.2% in Q1 FY '26. During the quarter, we generated export revenue of INR 19 crore across 15 countries and will continue to focus on expanding our international footprint.

Our strategic alliance with G.O.A.T continues to progress well, amplified by our deepening footprint in modern retail and quick commerce. In Q1 FY '27, this partnership generated a revenue of INR 16.44 crore, a 21% year-on-year increase, with a Q1 PAT of INR 2.27 crores and a PAT margin of 13.8%.

As we progressed through the fiscal year, we remained focused on enhancing operational efficiencies while deepening our presence across our core products, core markets, newer channels, and export geographies. We are confident that this disciplined, execution-driven approach will continue to create sustainable long-term value for our consumers, partners, and shareholders.

I will now hand the call over to our CFO, Mr. Ajay Patodia to walk you through the details of our financial performance. Over to you, Ajay ji.

Ajay Patodia: Thank you, Ankit ji. Good evening, everyone, and thank you for joining us today.

Let me take you through our financial performance for the first quarter ended June 30, 2026:

For the quarter, operating income grew 1.4% year-on-year to INR 405 crores. Gross profit rose by 6.9% year-on-year to INR 151 crores, with a margin of 37.4%, an expansion of 192 basis points year-on-year. Operating EBITDA stood at INR 48 crore, up 11.4% year-on-year, yielding an operating EBITDA margin of 11.8%.

Profit after tax for the quarter increased 22.1% year-on-year to INR 26 crore, with a PAT margin of 6.4%, and diluted EPS for the quarter stood at INR 4.59 as against INR 3.76 in Quarter 1 FY '26.

Our advertisement spend stood at 7.7% of revenue in Q1 FY '27, in line with the seasonal front-loading of brand investment early in the year. With our annual advertisement expense capped at INR 100 crores, we expect ad spend as a percentage of revenue to moderate over the coming quarters, it aiding profitability.

Our balance sheet strengthened meaningfully during the quarter. Net debt reduced to INR 192 crores as on June 30, 2026, from INR 277 crore from March 26, taking our Net Debt to Equity to 0.20 and Net Debt to Operating EBITDA to 1.01. On an annualised basis, ROE stood at 10.8% and ROCE at 12.9%.

Given that we have no major capital expenditure commitment in the near term, our capital allocation strategy remains clear. We stay focused on improving free cash flow generation and reducing debt. Our cash conversion cycle stood at 160 days for the quarter, and we will continue to work toward improving it going forward.

Moving to our brand-wise revenue contribution for the quarter:

Dollar Always, our economic segment and Dollar Man continue to anchor the portfolio, contributing 44% from Dollar Always and 38% from Dollar Man, respectively.

Dollar Woman (Missy) segment contributed around 8%, followed by Dollar Protect, our rain wear segment at 6% and Force NXT, our premium segment, at 4%, with Dollar Junior and Dollar Thermals making up the balance.

With that, we conclude our opening remarks and open the floor for question-and-answer session. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Arnav Sakhuja from Ambit Capital. Please go ahead.

Arnav Sakhuja: Hi, Thank you for taking my question. So, my first question is that we see strong growth in the quick commerce segment. So, which are the segments saw the strong growth, is the growth across products?

Ankit Gupta: Sorry your voice was breaking what did you ask about the quick commerce?

Arnav Sakhuja: Yes. I will rejoin the queue.

Moderator: Next question is from the line of Bhargav Buddhadev from Ambit Asset Management. Please go ahead.

Bhargav Buddhadev: So, after almost two years, we have seen the industry taking price hikes. Do you think that this is sustainable now, given that some of our peers have seen significant deterioration in margins? So, this time around, there would be some price discipline and the price hikes which have been announced will be maintained?

Ankit Gupta: Hi, Bhargavji. The thing is, we are very hopeful about the fact that things will get stabilized with respect to the pricing and the overall deep discounting which was going on in the market. The effect, it will take some time, like a quarter or two, like we discussed last time also. It won't happen overnight, but yes, the process has started and things have started improving in the market as well. And that is the reason we were able to garner 11.8% kind of an operating EBITDA percentage.

Bhargav Buddhadev: Secondly, sir, we have seen a volume decline in the first quarter. Generally, with Dollar, we have not seen volume decline on a regular basis. Do you think that in the next three quarters, we will catch up and for the full year, we may end up double-digit volume growth?

Ankit Gupta: Yes. So, that is our internal target as well. So, we are very hopeful and aggressive towards the fact that in the next three quarters coming ahead, we will be, overall at a company level, we will close this particular fiscal with a double-digit growth, which will be a combination of volume plus value growth. And so, this year, we are targeting to grow at around 11% to 12%.

Bhargav Buddhadev: Suddenly also, we have seen a very strong kind of growth reported. So, what has suddenly led to, is it the new brand ambassador, which we have signed up, which is helping us or something else?

Ankit Gupta: Sorry.

Bhargav Buddhadev: No, I am saying South India saw a very strong revenue growth. What has led to that growth?

Ankit Gupta: So, it is because of Mahesh Babu, the brand ambassador that we have taken plus now we have started getting traction in the market also in terms of demand from retailers and the consumers as well. So, our placement has been better than before. And the acceptance is increasing day by day.

So, like, two years back, when we took Mahesh Babu as our brand ambassador also, I said that time also, it is a gradual process, which will take some time. And now, we are seeing the results coming in after two years.

Bhargav Buddhadev: And lastly, any guidance you would want to give for the full year in terms of revenue growth and EBITDA margin?

Ankit Gupta: So, for the revenue growth, it would be somewhere between 11% to 13%. That is the kind of growth we are looking forward to during this fiscal. And at EBITDA level, it would be somewhere between 11.5% to 12.5%.

Moderator: Next question is from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.

Prerna Jhunjhunwala: Thank you for the opportunity and congratulations on the margin performance. After a long time, we are seeing improvement in margins to double digits in the first quarter. So, congratulations on that.

Just wanted to understand, sir, what led to this improvement in margins, whether it is the price hike or sheer improvement in share of premium products, or is it something else that is working out for us?

Ankit Gupta: So, this margin expansion which has happened in Q1, there are two contributions. The one is the price hike that we have taken. So, low-cost inventory was there in the system. And because of that, we could see higher EBITDA.

And the second thing is, we still didn't give in to the market in terms of extra discounting and the schemes that are going on and try to protect our margin and operating cash flow as well, because of which, yes, we were unable to garner 9% or 10% kind of revenue growth. Instead, we settled with 1.5% kind of overall growth. But at the same time, we tried to increase our margin.

Prerna Jhunjhunwala: Well, this is fantastic that you were able to protect your profit and rather than giving in for competition. But how long will you be in a position to sustain this kind of competition? Because this will also mean volume-based market share loss or how should we read it?

Ankit Gupta: See, the things are settling now. Like, yes, we know that another couple of quarters to go by. But we think that we will be able to manage with that.

But like last year, we survived with a good volume growth as well and keeping our margins intact. So, this year also, it is too early to comment on that since just one quarter has gone by and three more to come. So, we don't think that will be much of a problem for us.

Prerna Jhunjhunwala: And sir, given cost inflation, would you need any further price hikes? Are you good with current price hike that you have taken? And how much would be the price hike that you have taken till date?

Ankit Gupta: So, till date, we have taken just 4% to 5% of price hike. And no other price hike is in picture right now. And the yarn prices and the cotton market is also stagnant, and they are stabilized right now. So, we don't see any reason why we should need to have a price hike again.

Prerna Jhunjhunwala: And how should we see the competitive intensity in terms of mass market brands versus premium brands? What would be your take on that? Whether Force NXT and other premium brands that you have are doing much better than mass market, which is your Dollar Always and Dollar Man. So, how would you see this competition panning out?

Ankit Gupta: So, yes. If you see last 3 years' data, Force NXT has been doing really good. Its CAGR growth has been above 20%. So, it has been growing by 20%-25% year-on-year basis for last 3 years. And the base has now reached around INR 85 crores to INR 90 crores last fiscal. Like FY '26, we closed this brand at INR 85 crore to INR 90 crore revenue, which is like 4.5% to our total sales. So, Force NXT is doing really well.

Then our Dollar Protect, our rainwear segment, which is a seasonal product, that is also growing at a good rate. And we are seeing good traction in the market. So, high ASP products are getting good traction in the company. Plus like the upcoming season, which is the thermal season which is coming, and we are getting good traction over there as well. The conferences that we do in the month of July, pan-India basis and the booking that we got for the thermals is really, it shows the trajectory for this year as well.

Prerna Jhunjhunwala: And the last question on cash conversion cycle that you mentioned in your commentary that you are working towards reducing the cash conversion cycle. What are the efforts that you are taking there and how should we see it by the end of this year or at the end of 2-3 years that you have any targets in mind?

Ankit Gupta: So, for this particular fiscal, we have targeted that around 6 to 7 days improvement we will see as compared to March 26. And over 3 years' time period, it would be a total of somewhere between 15 to 18 days reduction in the overall working capital cycle.

Prerna Jhunjhunwala: And how is the working capital cycle in Lakshya network?

Ankit Gupta: So, in Lakshya, receivable days are still better than our non-Lakshya distributors. And overall, we are able to control the inventory at a distributor level also. So, that way the distributors' ROI is also very much protected and on an increasing trend. So, their ROI ranges from 17% to 24%.

Prerna Jhunjhunwala: And I will come back to the question queue if for any further questions.

Moderator: Next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: So, in Q1, did we have some low-cost inventory due to which we were able to maintain margins? And given that, we have taken a 4% to 5% price hike in Q1. So, currently, I mean, with the low-cost inventory behind us and cotton prices increasing every day and the yarn prices also being, I mean, peaking, reaching a peak over the, say, last 2-3 year period, the current yarn prices are higher as compared to those periods. So, if we don't take any further price hikes, won't that margin shrink, I mean, going forward in Q2-Q3?

Ankit Gupta: So, the yarn prices and the cotton prices are stabilized now, and we don't think that there will be a need to increase the price further, and it was a very small contribution of low-cost inventory in the system because the prices started increasing from the month of February end, and we took a price hike in the month of April. So, it has been taken care of. We don't see any reason, we will take a hit on margin or anything.

Gunit Singh: So, with the current yarn and cotton prices, we can still be able to maintain 11%-12% margin that we have seen today?

Ankit Gupta: Yes.

Gunit Singh: Sir, for project Lakshya, what percentage of our distributors are enrolled in that? And in the investor presentation, it is mentioned that I think 30%-31% of the value and volume is operated through project Lakshya.

Ankit Gupta: So, around 20% of our distributors are enrolled in this particular project, 20%-22% contributing 31% of our total sales.

Gunit Singh: And what is the target for FY '27 in terms of Lakshya enrollments and what kind of a benefit, I mean, firstly, how many more distributors are you looking to add and what incremental benefits do you see from this?

Ankit Gupta: So, given the competition intensity in the market and everything that is going around, so we are not enrolling any new states as of now and working on a strategy how we can enter the new states with a different strategy.

But for the states which are already enrolled in this particular project, we have started this Phase-2 wherein we are trying to activate more and more retailers under this particular project, and we have just started with the Phase-2. So, it will take some time to show some progress on that.

Gunit Singh: So, do we have some targets like currently 21% are enrolled? So, do we have any target that by the end of FY '27, we target some number?

Ankit Gupta: So, currently, no, we don't have for the Lakshya project like how many distributors would get enrolled. But yes, we are trying that since last year, we had active retailers to the tune of 74,000 to 75,000 retailers who were active in Lakshya project. And this quarter, our active retailers went up to 80,000. So, for this particular fiscal, we are trying that we have around 90,000 retailers activated or being in the active stage in this particular fiscal.

Gunit Singh: And in terms of sales growth and EBITDA margins, can you help us understand those numbers for Lakshya enrolled retail stores? Are they any different from non-Lakshya?

Ankit Gupta: So, at a margin level, it is almost similar. Not much of a difference is there. And for the Q1 part, the growth trajectory was almost similar to what we saw at a company level.

Gunit Singh: So, my final comment would be regarding, so our share has been trading at around 350 currently, which was the same price that was around 10 years ago. Whereas over the last 10 years, our revenues have more than doubled. And we have developed Dollar as a strong name, which is known in every household in every corner of the country.

So, sir, I would just request you to consider a share buyback instead of paying dividends because not only will it be EPS-accretive and beneficial for the long-term shareholders as it will be a step up in terms of the earnings pool that will be divided between lower number of shareholders, number one.

And number two, it will also be a signal to the market towards our own confidence in our company and the fact that our share is undervalued, even though we have developed such a renowned and household brand over the last 10 years. So, I would just ask you to consider a share buyback. And in case you already have had such considerations, please let us know.

Ankit Gupta: Sure. Thank you for the feedback. We will take that under advisement and we will see what can be done on that.

Moderator: Next question is from the line of Anjali Ojha from Anand Rathi. Please go ahead.

Anjali Ojha: I wanted to understand what impacted the overall revenue growth and volume growth this quarter?

Ankit Gupta: Since there was a price hike that was taken in this particular quarter, so what happens is people become skeptical that it might go down in future. And since there is deep discounting also that is going on in the market, intense competition that is happening in the market, due to which there was the impact on the overall volume growth.

Anjali Ojha: My second question is, which segment saw the most volume decline?

Ankit Gupta: So, overall, Dollar Man, we saw a volume decline of around 3%-3.5%. That was one segment. The other was the socks category that we saw a volume decline, which was to the tune of around 7%. Its contribution is around 2% to our total sales. So, 7% is minuscule as compared to the overall volume degrowth that we have seen.

But majorly, amongst the top contributors, it was Dollar Man where we saw a certain volume degrowth, because of which our overall volume degrowth turned to 1.6% negatives.

Anjali Ojha: Sir, my another question is that you mentioned that you are tapping your advertisement spending at INR 100 crores annually. So, how much margin improvement are you expecting in FY '27 or going forward, just from this benefit?

Ankit Gupta: So, if you are able to achieve our target of 12%-13% growth for this particular fiscal, then the advertisement cost would be 5% to our total sales, which was 5.5% last year. So, around 0.5% benefit can be seen through the optimization of advertisement cost.

Anjali Ojha: And sir, I had one more question. Sir, could you please tell me what is the quick commerce channel's contribution margin compared to general trade, modern trade and e-commerce? Also, can we scale the channel without putting any pressure on working capital or margins?

Ankit Gupta: At a margin level, they are at a similar level because our domestic and we keep a pricing parity when we talk about domestic or the online channels. And in quick commerce, it is doing really good because all the big players like Myntra, Flipkart, everyone has entered into quick commerce now.

So, then we have Zepto, which is doing really good. Swiggy, we have started. Blinkit, we have just started. So, overall, quick commerce is contributing around 5% to our total sales. Yes, 5% of our total sales. So, it is growing at a pretty fast pace and in Q1, we saw 59% kind of a growth overall in quick commerce. So, when compared to the other platforms also, the quick commerce part is growing at a faster rate.

Anjali Ojha: That is all from my side.

Moderator: Next follow-up question is from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.

Prerna Jhunjhunwala: Thank you for the follow-up opportunity. Just wanted to know what is the volume growth or degrowth in Dollar Woman and Dollar Always?

Ankit Gupta: So, Dollar Woman, we saw volume growth of 1.5%-2% and Dollar Always was at a similar level as last year first quarter.

Prerna Jhunjhunwala: And any price hikes in Dollar Always and Dollar Woman?

Ankit Gupta: So, yes, across all brands, we have taken this price hike. So, overall, at a company level, it came down to 4% to 5%. But our ASP has increased. If you talk about Dollar Man, Big Boss, our ASP has grown from 82 to 85. For Dollar Always, our ASP has increased from 47 to 49. For Dollar Woman, our ASP has increased from 100 to 104.

Prerna Jhunjhunwala: Thank you so much, sir, for this follow-up.

Moderator: Next question is from the line of Shubhankar Gupta from Equitree Capital. Please go ahead.

Shubhankar Gupta: Thanks for sharing the details. Just wanted to kind of understand a bit more on the brand development on the advertisement cost, right? So, as you mentioned, Mahesh Babu was taken up two years back. And now that is leading to goodness in the South sales, right? Just want to understand like, what does it take to have somebody like Mahesh Babu in terms of cost?

Ajay Patodia: Actually, the main cost is not a celebrity cost, but to the main cost on advertisement is the advertisement on media basis, because the celebrity cost is the ones very minimum in terms of our total advertisement cost. So, we renew our agreement. We already hire Mahesh Babu two years before, and we already renew our agreement. And that is in similar cost only, and that is very 1% to 2% of our total cost for two year period.

But actual cost is to how to place the advertisement on electronic media. So, we have to control the electronic media and more allocation given to the digital media and social platform other. Also in for hoarding.

Shubhankar Gupta: So, actually just want to understand, sir, one more thing on this one. So, given that Dollar has done very proper, I will say, celebrity positioning in terms of all the brands which we have. So, you are saying that there are around 5-6 celebrities, right?

Ajay Patodia: Well, 4 celebrities, Akshay Kumar for our Big Boss, Saif Ali Khan for our Economic segment, Yami Gautam for women's segment, Missy, Dollar Woman, and Mahesh Babu for our men segment for Southern region, only four.

Shubhankar Gupta: So, just want to understand what, like, the total cost for the celebrity bit to renew their agreement would be around 8% to 10%?

Ajay Patodia: No, no. Actually, total cost, if we calculate yearly wise, actually the celebrity agreement is for 2 to 3 years. So, their cost is appropriate proportionate to 2 to 3 years only. And if calculated for one year, it is around 2% to 3% only of total cost, total advertisement allocation.

Shubhankar Gupta: Of the overall, like for all 4 celebrities, you are saying?

Ajay Patodia: For all celebrities.

Shubhankar Gupta: So, in that case, like, I would just like to understand, what exactly is the breakup of the brand and development or the advertisement cost? Like, if you can probably take FY '26 and explain it to me, so that we can understand it better. Like, how to understand the expenses made in advertisement and branding?

Ankit Gupta: So, what happens is, in advertisement, a portion goes to the digital marketing. Then there is one big chunk which goes for the TV or media buying, which is showing your advertisement in different news channel or TV channels, taking the prime time. Then there is one chunk that goes into IPL.

Apart from that, we have outdoor hoardings also, newspaper advertisement, retail branding, point of sales branding. So, all those things taken together, then there is a wall painting, wall wrapping, which happens in tier 2, tier 3 cities or in the semi-urban cities. So, all these things are taken together, constitutes this INR 100 crore-INR 102 crore spent.

Ajay Patodia: The advertisement gets spent on the e-commerce also.

Shubhankar Gupta: And obviously, this will be including the advertisements in the halls, etc as well. That is very helpful. Sorry, just one more question. So, Ankit, I think you mentioned that quick commerce is now 5%. Are you also including e-commerce in this or e-commerce is separate and you are taking quick commerce to be different, like, likes of Blinkit, Zepto, etcetera?

Ankit Gupta: Also, e-commerce is another 4.5% of our sales. So, around 10% comes from the entire e-commerce ecosystem.

Shubhankar Gupta: E-com. No, that is very helpful.

Moderator: Next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

Ashwin Reddy: Can you explain to us the difference between the Phase-1 and Phase-2 of Lakshya implementation? Meaning, what are the changes that we should expect now? Because I assume that the state that you would start now would probably be the biggest state in your overall revenue. So, is there any risk of disruption or what is that you plan to do differently or some color would be helpful to us?

Ankit Gupta: So, what happens is, in Phase-1, what happened was we mapped whenever we used to start a particular state. So, we mapped that particular state with the help of our sales team. We used to hire sales team. They used to go to the market, map each and every retail outlet. After that, we appoint 700 retailers to a particular distributor, 500 to 700 retailers to a particular distributor and demarcate that distributor's area, right?

Ashwin Reddy: Right.

Ankit Gupta: So, when that distributor gets rolled out, then the sales team again go to the market, ask each and every retailer for, explain them the program, Lakshya program, the royalty bonus points also, retailer bonding program that we have, why they should go ahead by keeping Dollar products in their shop and what benefits they will be getting. So, all those things.

So, when we talk about mapped versus enrolled, like when we try to enroll the retailers under that distributor, so out of that 500, 700 retailers, 250 to 300 retailers say, yes, that they are willing to buy Dollar products.

But over time, what happens is around 150 to 200 retailers are such who are active for that particular distributor. If the distributor is active in his market, so it rationalizes to 150 to 200 retailers per distributor.

So, in Phase-2, what happens is, initially we will focus on the 100, 150 retailers who showed their willingness, but over time lost interest or did not purchase from the distributor, we will try to activate them. And after that, there will come a phase when we will try to manage the gap between the mapped and the enrolled.

So, this is the Phase-2 that we have started, and it is going on in the states where we have already implemented Lakshya project as a whole, like Gujarat, Haryana, Karnataka, Telangana, Rajasthan. These are some of the states where we have completed the project Lakshya Phase-1. And now we are going ahead with Phase-2, increasing the number of active retailers.

Ajay Patodia: I also want to add one line, sir. Our enrolled retailers till date as on around 1,73,561, but the active retailer now is 80,000 only. So, in Lakshya Phase-2, we reactivate the 1 lakh retailers which are now not active.

So, our main target is to reactivate the existing retailers. So, by this, we get increase our share in the market also. So, in Phase-1, we increase the distributor, but in Phase-2, we increase the retailers.

Ashwin Reddy: When do you plan to start the existing states which you didn't start, like UP, for example, which has a large state? When do you plan to start those states or would they not be part of Lakshya in the future or what is the plan there?

Ankit Gupta: So, see, given the overall intensity that is going in the market and the external factors that is not letting us to enter new states basically. So, actually, whenever you implement project Lakshya, that states or that area get disturbed for around 5 to 6 months. And given the market situation, we don't really want to lose the market share. So, that is why we are not entering new states now. But later, we will enter, and we will complete project Lakshya in all the remaining states as well.

Ashwin Reddy: And then second question is regarding the Force NXT brand. Is there anything different that you think you can do in terms of growing the brand? Because we do see that some of your peers are also doing the premiumization and you are making good traction as well.

But anything different that you guys are now doing or that you plan to do in the Force NXT brand in terms of positioning or marketing or anything? Or it could even be some learning that you have had on the Force NXT brand which you want to change in the future going ahead? It will be helpful to get your thoughts.

Ankit Gupta: Force NXT, we are getting a very good traction in terms of the innerwear that we are making with the help of man-made fibers, the bamboo fibers or modal fabric that we are using in that. So, we are getting a very good result and good traction in the market as well.

So, earlier what used to happen was Force NXT only athleisure range used to sell, but now the innerwear has also started selling, which will bring volume into this particular brand. Although the ASP would be a bit lower, but overall volume will increase for Force NXT. And at the same time, there is the activewear range that we have launched in Force NXT, which is doing good and it has a huge scope in the market also.

Thirdly, what we are trying to do is, we are also building up Force NXT D2C website as well, and we will start focusing on that as well, which we were not doing earlier. So, we are in talks with a few of the agencies based out of Bombay, and we will try and implement that in near future.

Ashwin Reddy: And in the next 2 to 3 years, what is a good number that you can expect in terms of the top-line growth for the Force NXT brand?

Ankit Gupta: So, for last 3 years, we have been growing at around 25%-30% kind of a growth. And going ahead for next 2-3 years also, we see 20% to 25% kind of a growth year-on-year basis.

Moderator: Next question is from the line of Shubhankar Gupta from Equitree Capital. Please go ahead.

Shubhankar Gupta: Actually, just I think I need to confirm two more questions. So, Force NXT is the athleisure play brand for Dollar. Is that correct?

Ankit Gupta: No, it has innerwear, athleisure and activewear. All 3 categories are there in Force NXT.

Shubhankar Gupta: So, just want to understand the numbers for this quarter like in terms of Y-o-Y basis like how did Force NXT do this quarter? That was one.

And second, wanted to understand like in terms of operating metrics for Project Lakshya, like we can all read the contribution it is making or the number of states it is available in or running active in. But in terms of like operating KPI metrics, are there any strong indicators which say that Project Lakshya is getting good success or showing goodness?

Ankit Gupta: So, see, first question that Force NXT's growth. In Q1, we did 7% kind of a volume growth, although there has been a value degrowth because the innerwear traction was more than the athleisure.

So, the overall ASP declined in Force NXT because you can't compare the costing of the selling price of innerwear with athleisure, right? So, that is why the value degrowth. But overall volume growth was 7% in Force NXT.

Shubhankar Gupta: What is the ASP for the three products like your active, athleisure and innerwear?

Ankit Gupta: I don't have the breakup right now with me, but overall Force NXT's ASP is around INR 220.

Shubhankar Gupta: 220. Fair.

Ankit Gupta: Yes. So, all three categories taken together.

Shubhankar Gupta: And for the operating metrics on Lakshya versus non-Lakshya, like are there any strong operating indicators saying that they are doing well?

Ankit Gupta: So, what we have seen in the past is, in the Lakshya areas, growth trajectory was much higher than the non-Lakshya states. The working capital cycle in terms of the receivable days is much better in Lakshya states as compared to the non-Lakshya states. These are majorly two aspects that we have.

The third is the retail reach that we are increasing day by day in Lakshya area. Because in non-Lakshya areas, not much of a data is available. So, that is also an issue. And with Lakshya project, we are able to take a lot more decisions based on a certain state or a certain district or a certain pin code as well. So, yes, we are able to do that.

Shubhankar Gupta: And in terms of working capital days, like how much better is it? And like from where is it? Is it inventory? It must be debtor days. Where exactly are we seeing inflection for Lakshya versus non-Lakshya and working capital days?

Ankit Gupta: So, seeing the Lakshya area, we were very hopeful that we can bring down our overall debtor days to around 85 to 90 days in near future. And we have been working on that since last two years. And we have been able to reduce our debtor days a bit.

But yes, there is a lot of scope. And that is how we will be able to bring down our overall working capital cycle also in next two to three years. So, currently, we are standing at somewhere around 160 days.

But in next three to four years, we are trying to bring it down to around 130-135 days. And major contribution will come in from the debtor days itself.

Shubhankar Gupta: And then, sorry, I am asking another question. But like, are there any key initiatives or steps which we are taking to reduce this debtor days?

Ankit Gupta: So, one is the dealer financing scheme that we are doing currently. The second is stricter monitoring, and we are just stopping the supply to the distributor if the payment cycle is not good. So, that is also one of the reasons why we were not able to do much of the volume growth this particular quarter because we were very stringent. And that is the reason why we were able to do a positive cash flow of around INR 96 crores this particular quarter.

Shubhankar Gupta: That is helpful, Ankit. Thanks a lot.

Moderator: Next follow-up question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: So, in the last con call, we had shared an aspiration of reaching zero debt by FY '28. So, I want to understand, are we on track for that? And how much of a debt payment are we expected to make in the current financial year?

Ajay Patodia: Yes, already we repaid around INR 86 crores in this quarter only. And we are on the target that by FY '28, we reduce our company into the net debt, zero debt policy. And as we have no any CapEx commitment in the coming future, so we hope that we achieve this within that time frame.

Gunit Singh: So, are we targeting zero long-term debt or I mean, zero, total debt to be zero?

Ajay Patodia: Total debt to be zero.

Gunit Singh: Working capital also to go down to zero.

Ajay Patodia: Actually, we have mainly our debt including 90% of our debt is working capital only.

Gunit Singh: And my second question is regarding our partnerships with Pepe and this G.O.A.T. So, how are they going about, and what kind of growth, or a top line, or a bottom line can we expect from these in FY '27?

Ankit Gupta: So, the JV company is doing really good. And this quarter also we saw growth of around 20%-22%, and the PAT is somewhere around 13.5%. So, the company is doing really good, and it is completely D2C.

So, it is completely online and the traction that we are seeing online and the growth trajectory that we are seeing, I think we will be able to complete this particular fiscal with around 25% to 30% kind of a growth level.

Gunit Singh: And what was the number for this to last year combined?

Ankit Gupta: So, last year, we closed this JV company at around INR 50 crores revenue. And this year, we are in line that we will be able to do INR 65 crores. So, our plan is INR 75 crores and yes, we are in track.

Gunit Singh: That is great. That is all from my side.

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

Ankit Gupta: I would like to thank you all for taking the time out to join the earnings call. Have a nice day.

Ajay Patodia: Thank you so much.

Moderator: Thank you, sir. On behalf of Anand Rathi Shares and Stock Brokers Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.