Q1 FY2020 Earnings Call Transcript – Aug 9, 2019

CORPORATE PARTICIPANTS

- Kulin Lalbhai – Non-Executive Director
- Suresh J – Managing Director & CEO
- Pramod Gupta – Chief Financial Officer
- Ankit Arora – Head, Investor Relations

Moderator Ladies and gentlemen, good day and welcome to Arvind Fashions Limited Q1 FY 2020 Earnings Conference. As a reminder, all participant lines will be in 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 this conference is being recorded.

I now hand the conference over to Mr. Ankit Arora, Head – Investor Relations from Arvind Fashions Limited. Thank you and over to you, sir!

Ankit Arora Thanks, Bikram. Hello, everyone and thank you for joining us on Arvind Fashions Limited earnings conference call for the first quarter ended June 30th, 2019.

I am joined here today by Suresh – Managing Director and CEO; Pramod Gupta – Chief Financial Officer and we also have today, Mr. Kulin Lalbhai – Non-Executive Director, Arvind Fashions Limited.

Please note that results, press release and earning presentation had been mailed across to you earlier and these are also available on our website www.arvindfashions.com

I hope, you had the opportunity to browse through the highlights of the performance. We will commence the call today by Kulin, who will provide an overview about the business and industry; followed by Suresh, who will share the key thoughts about our strategy and financial performance for the first quarter ended 30th June, 2019. At the end of the management discussion, we will have a Q&A session.

Before we start, I would like to remind you that some of the statements made or discussed on this call today maybe forward-looking in nature and must be viewed in conjunction with risks and uncertainties we faced. A detailed statement of these risks is available in this quarter's earnings presentation as well. The company does not undertake to update these forward-looking statements publicly.

With that said, I would now turn the call over to Kulin to share his views.

Kulin Lalbhai Hello, everyone. It is great to be with you today. Let me start by talking a bit about the market. I think, we are currently in a challenging market where the secondary demand has definitely seen weakness. In fact, even as we stand in the month of July, the negative customer sentiment is there.

As a company, as we have shared with you, we have certain clear strategic focus areas. One of the critical focus areas for the company is that whilst we have continued to grow in a very healthy way in the past, we definitely want in the future, a really improved operating cash flows of the business. So, that is one of our stated objectives. And that means a stronger, more efficient working capital cycle, and cash flow.

The other priority for us is focus and scale, when it comes to the portfolio. We have very clearly shared with you that we would like to benefit from the large powerful aspects of the portfolio and focus on opportunities that are very scalable. And when we looked very critically at our portfolio with that lens, we took a call that all opportunities which are not very scalable, as a company, we would exit from those opportunities. So, we have taken a call to exit four brands, there is a one-time loss associated with that. But what this does for us is, it allows to free-up resources which we can put behind strong growth opportunities.

Also, of course, with the remaining part of the portfolio, we are very excited. We have one of the most powerful casual wear portfolios in the country, which we will continue to really invest in and have strong secondary sales focus on that business. And also, some very exciting emerging opportunities, which also I would like to share with you.

So, I can perhaps start with our quarter one performance. I think, one thing you would have seen is that our Power brands, which typically are a strong growth business for us, this year in quarter one, shows up a negative sales. I would just like to de-average that for you. If you really look at the Power brand, the sale in all the channels other than our trade channel are actually in a double-digit growth phase. We have delivered an intrinsic growth of 12% in all the channels outside of the trade channel, it is the trade channel where we have de-grown by 49%. And this has been something that we have done by design, it is a very thought out strategy. We have seen a strong consumption slowdown overall, and, we believe that that slowdown is most amplified in the trade channel where there is a liquidity issue that compounds the tough market. Whilst we do have growth still in this channel, the secondary growth is still there but, it has slowed down. And because the stated objective is to ensure that we have a healthy working capital cycle as well and that we grow in a healthy manner. We want to take a cautious view on this channel. With a one-time correction in the primary sales that we do, we believe the secondary sales will recover. And the secondary sales once aligned with the primary sales, will ensure that we have a healthier business in the quarters to come. The impact of this could be a slowdown in our primary sales for a couple of quarters. But as we look at H2, we would see the growth normalizing in this channel as well.

If we look at the remaining channels, we actually had a strong performance in quarter one, where the secondary growth rates in the offline channel have been double-digit, which I think is a strong growth in a difficult market. So, in power brands, I just like to point out that it is important to de-average that the MBO trade strategy is a one-time correction where we will then normalize back to our growth rates, and, that from an underlying perspective, we are in a strong position. In fact, U.S. Polo continues to strengthen. It is the number one casual brand in the department stores and it has actually increased its market share. Even in the online side, our brand ranks have gone up, consistently for U.S. Polo and Flying Machine. So, from a fundamental health perspective, the power brands are in a good place, secondaries are strong and a cautious view on the trade channel as a strategy is the right one looking at the market condition.

Moving on from Power brands, I would like to talk about certain very exciting parts of the portfolio which are showing good traction. If we look at our specialty retail business, it has delivered a 25% growth that is GAP and Sephora and both brands have moved into positive EBITDA. So, we are very happy that these two brands will become strong drivers for our group, both in terms of top-line growth and profitability in the years to come. The fundamentals are getting stronger and they seem like strong growth opportunities.

I would also like to talk about Unlimited, our value business, which had higher losses last year. We have gone through a restructuring in that business where we have closed down the unviable parts of our network. So, we have closed around 20 stores which were loss-making, the network left now with us is a much healthier network with double-digit store level profitability. Even within that network, we have a program through which we are optimizing our price value proposition and optimizing our product offering and are hoping to see that it pay-off from this season onwards.

We have also scaled up our online business significantly in Unlimited and I think that will be a strong growth driver in times to come. And we have also brought in strong efficiencies by substantially cutting the fixed cost base of the business. So, in short, we will have a much healthier business coming out of this restructuring and you will see that in the coming quarters.

Another thing I would like to talk about briefly is how our omni-channel business is shaping up. While the online third-party marketplace business continues to grow at a very healthy rate and our brands dominate the omni-channel part of our business, NNNOW.COM is also seeing strong traction. We are doubled in terms of net sales and not GMV, net sales is the real metric. We have doubled our net sales over last year same quarter. And the inherent fundamentals of the business are also much healthier. Our customer lifetime values have gone up by 20%. We have got a strong overlap now between our online and offline customer base, the true omni-customers who are spending a lot more with us and that business has actually become positive at a CM3 level which is before fixed costs. So, the fundamental unit economics are also very strong.

Moving forward, I think in a tough market, we will focus on further enhancing our secondary sales. As I mentioned, for our power brands, our secondary sales are early double-digits right now, in the first quarter, we hope to strengthen that or at least maintain that in the coming quarters. The only caution is that July has been a tough month, we are hoping that August onwards we come back to the Q1 sort of momentum. What we are doing in terms of growth strategies is expansion into smaller towns. We have added 22 towns in quarter one, and we have a plan to open a lot of stores in smaller towns. We see that as strong inorganic opportunities. We are entering white spaces and it is profitable growth.

I also expect the online momentum to continue. And the four areas where we want category leadership, which is the casual wear where we continue to consolidate our position and strengthen our market share; kids wear where we want leadership, we have grown at 28%; innerwear where we want to continue to grow, we have been growing very rapidly. We continue to see strong growth there and in the prestige beauty business also, we are growing very well. So, these would be areas where we would want to continue to focus on and gain a leadership position.

So, that in a nutshell is where we are and it is a tough market, within that, we want to ensure that we have healthy secondary growth with the corrections that we have made in our portfolio and the channel strategy which we have in trade, we are expecting operating cash flows to improve. We have restructured some of the network which was loss-making. We are focused on bringing in efficiencies and I think in the coming quarters you will see cash release and capital employed improve.

I think, as far as the power brand growth rates are concerned, the trade channel as I mentioned, is a one-time correction. We do hope for the conversion to historical growth rates in this channel coming back in H2.

So, with that, I would like to end my overall summary and open it up to questions. Thank you.

Moderator Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Kunal Shah from Carnelian Capital. Please go ahead.

Kunal Shah The first question, I would like to ask more of a strategic question. When I read your annual report, on a sales of like almost Rs. 4,500 crores, we have got payables of Rs. 1,200 crores and a total borrowing of Rs. 824 crores. So, I mean, when you look at the business to generate Rs. 4,500 crores, which has got power brands, we need to have like almost Rs. 2,000 crores of borrowings in terms of payables and debt. So, what is the view of the management on this particular aspect of the balance sheet? And then, probably I will go ahead with other questions.

Kulin Lalbhai Yes, so, I think, the question was more around capital efficiency. As we have been saying, our focus is how do we generate a stronger operating cash flow overall. And, there are various levers that we have for that. One, obviously, the power brands and the larger businesses are inherently stronger on the inventory turns and the capital efficiency and with the decision to kind of focus the portfolio and have larger brands scaling up, I think you will see that definitely helping on the efficiency of the overall inventory turns. The other part that we are very focused on, is that how we not have certain channels that really block cash. And we have seen in the past that there are certain parts of the MBO channel, where receivable cycles have started lengthening. So, there is a series of actions we are taking, one of which is, of course, being modulating primary sales and adjusting them for secondary. But we have also been working hard on ensuring that we improve the receivable cycle of this channel, whether it is channel financing, whether it is bringing in distribution strategy which makes this whole aspect better. So, that is the second lever. The third lever is a more structural lever, where we are trying to make our supply chain, in a sense much more responsive. So, today, a large part of our supply chain is long lead time, which means you produce a lot of goods early and then you sell them over the whole season, that is changing to a flexible supply chain, where we will have multiple drops and phase out inventory. So, I think, it is a series of steps to kind of make the overall business model much more efficient. If you really look at our large well performing power brands, we do have strong operating cash flows and free cash flows coming from those businesses. Those businesses, even though they grow very fast, do generate the cash. So, I think the idea is to further optimize the cycle and ensure that the inefficient parts of the business model on the cash conversion cycle are addressed and dealt with. So, that is the way we are looking at it.

Kunal Shah Also, when I look at payable days, as a percentage of cost of goods sold, it seems to be pretty high of almost 300 days. So, I mean, what kind of credit arrangement we have with payables? If you could throw some light on that as well? I mean, you rightly pointed out that there is a lot of inventory sitting at the vendors end which is meaning to inefficiency but just going a little ahead, I mean, what kind of arrangement we have when it comes to the amount that you have to pay, how does that work out, if you could throw some light on that as well?

Pramod See, the overall payable days that we have is 95 days and which is not significantly different from if you look at the other retail organization and probably one way of looking at payables is to look at a cost of goods sold. But you also have other expenses. So, therefore, your payables will come from all the expenses. So, therefore, it just relating it to the, cost of goods sold may not be the best way of looking at it.

Kunal Shah I think, the other expenses probably would form a smaller part of the overall scheme of things. So, I mean, if you could help understand the kind of arrangement we have with our vendors, I mean, it will be more helpful.

Pramod So, typically, we would have 90 days kind of a credit from customers from our vendors and in some cases, depending on the arrangements, it could go a little higher also and then we have imports where the credit would be higher at 180 days. So, therefore, there are variable arrangements, but rest assured that the payments are in line and we are fine in terms of our vendor arrangements.

Kunal Shah Okay. And just one more question before I may join back in the queue for other questions is, when I look at the interest expenditure in our annual report of the total of Rs. 126 crores worth of expenditure, only Rs. 25 crores is on interest on loans. So, then there are two line items which have got Rs. 70 crores and Rs. 31 crores. So, if you can help us understand what are those interest on?

Pramod We can we can send you more detailed reconciliation but somehow Rs. 25 crores as interest does not seem right to me. We can have Ankit take it offline and explain the numbers to you.

Moderator Thank you. The next question is from the line of Vaishnavi Mandhaniya from Anand Rathi. Please go ahead.

Vaishnavi Firstly, through this entire emerging brand portfolio restructuring that we are doing. So, how much has the capital employed gone down by in the first quarter?

Suresh See, we have currently you know working on the exit of the brands. What we have now estimated is a certain amount of one-time loss, which is what we have projected and most of the capital employed reduction will happen in the second quarter and going forward, when we exactly exit all the brands. So, in terms of the approximate amount, it will be anything between Rs. 75 crores to Rs. 100 crores.

Vaishnavi So, we will see that by the end of this year?

Suresh End of this year that is right.

Vaishnavi Okay. And in terms of one-time loss that we reported of around Rs. 68 crores. So, the presentation tells that basically the brands will be completely exited in the second quarter. So, can you give some sort of like an estimate of how much more loss can we expect on that front, number one. And number two, Rs. 68 crores that we have actually reported, so I think this is on the higher end of what we had expected the one-time loss to be. So, can you please explain on what this loss actually entails?

Suresh You know, what we have done is, we have actually provided their entire anticipated loss. So, Rs. 68 crores is for the complete exit of all the brands which we have identified to exit. So, it is not that we have incurred all the Rs. 68 crores but we have provided for the maximum loss which are likely to incur. As far as you are talking about your estimate, in our view, I think, we have been able to contain the losses because as we always said that all our agreements are very long-term and when we have to shorten the agreement and then give up a brand, it requires a certain amount of settlement, I think we have been able to do that settlement quite effectively and we have been able to actually contain the losses compared to what we have thought we will incur at the beginning.

Moderator Thank you. We have next question from the line of Kunal Shah from Carnelian Capital. Please go ahead.

Kunal Shah Okay. So, this again one more question on the annual report only, when we see the annexure pertaining to other current assets and non-current assets. There is a line item which has got Rs. 230 crores sitting out there known as return as returnable asset. So, if you could help understand what this returnable asset sitting in current assets to the tune of Rs. 230 crores?

Pramod So, Kunal, it is actually we have SOR sales, right. And as a SOR we have inventory that is lying with our customer partner. And then therefore, the inventory that is lying on our accounts with them, we are we are classifying as returnable asset, it is like any other inventory. So, therefore, in any case, when we look at inventory, we look at inventory plus returnable asset put together, this was the advice that we received from our auditors that as per accounting standard, this is the way you will have to classify, we do understand that it is leading to a certain amount of confusion in terms of how to look at our inventory. So, we are discussing with our auditors as to what is the best way of presenting it in our books of accounts and whatever the final advice we get, accordingly we will start representing it from the next year onward.

Kunal Shah Okay. So, the simple understanding would be, this actually is a part of inventory. And just one more question. I mean, the brands that we have exited, how much amount of working capital or debt it will help us release in the coming quarters?

Suresh So, just one correction, we are in the process of exiting, I had answered the question that you know we will have a saving of around Rs. 75 crores to Rs. 100 crores in terms of the capital release, large part of that will be working capital because we do not have too many stores for that set of brands.

Moderator: Thank you, sir. The next question is from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa Just, if you could let us know how would be the gross debt and net debt moved from last quarter since you would have made a lot of changes in terms of our working capital and this expense of additional Rs. 62 crores. So, has it changed materially?

Pramod The way I would look at it is that our debtors have come down and therefore, in terms of our stated intention of releasing cash that we have reduced and our inventories also have remained more or less flat. And therefore, in terms of our capital efficiency and turns we have improved vis-à-vis what was the situation in the end of March. But at the same time, overall our borrowings would have gone up by around Rs. 100 crores compared to March.

Moderator Thank you. The next question is from the line of Miyush Gandhi from Canara Robeco Asset Management. Please go ahead.

Miyush Gandhi Sir, just wanted your thoughts on the margin profile for the continuing brands business, like in Q1, we are reporting some Rs. 7 core EBITDA, is there anything that we should know about because these numbers look pretty low?

Suresh See, as you know that we have a different margin profile across three business groups we have, there is a Power brand and specialty retail and emerging brands. So, what you see as Rs. 7 crores is sort of a blended margin. We have a healthy margin profile on Power brands and because of the reason in terms of down stocking the trade, the margin got impacted in quarter one. And when we restore back our business with trade channel, our margin should restore back to the kind of levels it was over the last few years. That is as far as power brands were concerned and our margin profile actually in specialty retail is improving. GAP and Sephora has now turned EBITDA positive and that will show improvement in terms of the marginal profile as we go forward. Then in terms of Unlimited, we are now containing the losses and we have taken multiple actions, what you see a certain loss in quarter one on account of closure of the stores. But you will see an improvement in the reduction of losses as we go forward. And in the case of emerging brands, exit of the brands, of course, will definitely increase the margin. And we have made a very significant improvement in the margin and profile of our Calvin Klein business. And I think both in terms of top-line and bottom-line, Calvin Klein is now showing great promise, maybe there is a chance that this brand possibly move into a power brand very soon. I think, that is a very, very good development from the emerging brands point of view where one brand is now showing a promise to become a power brand. And after that two - three brands which you are left with, we have actually de-risked their business model as well so that we will end up with a profitable emerging brands portfolio out of which, one of the brands CK has the potential to move to a Power brand.

Miyush Gandhi Will it be possible to quantify how much sales we missed because of the realignment? I am sorry to be persistent on this but even in the commentary, we are reporting EBITDA margins lower for both specialty retail and emerging brands. And this is obviously not taking into account the EBITDA losses for the discontinued brands. So, while the commentary sounds pretty optimistic, but actual numbers do not match up. So, is there something that we are missing is what I was trying to come to.

Suresh What I mentioned, it was the GAP and Sephora have done EBITDA positive and that will start delivering certain margin. As far as Unlimited is concerned, it is slightly more than last year. But overall, I think that is mainly because of the closure of certain stores, which impacted the overall results. In emerging brands, again, we had a good profitable growth in the case of Calvin Klein, but in terms of the remaining emerging brands we took call to close some unbelievable store that resulted as a one-time loss. So, that is the reason why you find marginal increase in the losses of the emerging brands compared to last year. But directionally, I think both specialty retail and emerging brands are moving towards a positive territory.

Kulin Lalbhai One thing that I just like to add, I think, what you are seeing in the EBITDA for quarter one, is the lower billing in the trade channel. It's that channel where you sell it in and then there is a return that comes back after the end of the season. As I mentioned, we have taken a cautious view in saying that in this kind of environment, we want to one-time adjust the trade primary that is a high margin business. But we believe that for going towards the first fill and aligning it to secondary as a one-time will create a much healthier business model, so that I do not think there is a loss at all in the structural economics of Power brands, it is one-time connection, which impacting both the top-line and bottom-line of our brands. And as I mentioned that as we move into the second-half of the year, we are going to normalize back towards the inherent overall profitability of Power brand, once the trade channel stabilizes.

Miyush Gandhi Is there any number that you would like to guide for say this year and next year ballpark?

Kulin Lalbhai I do not think we will kind of be able to give a guidance. But as we are saying, you know, we believe the secondary sales fundamentally are at a certain level which is stabilized and healthy. And within a quarter or two, we believe that we will be moving back into our normal fill rates into this channel.

Moderator Thank you. We have next question from the line of Anand Shah from Axis Capital Limited. Please go ahead.

Anand Shah So, just again harping on this power brand. So, can you highlight how much contribution in power brands come from the MBO or the trade channel and now post-correction, how has that ratio changed?

Suresh Anand, you know, typically, we get 20% to 25% of the business in MBO channel, which will definitely continue going forward. Coming specifically to this quarter, that contribution has actually come down to I am giving you a guesstimate number around 15%, kind of contribution. And as Kulin mentioned, in the first overview, we had a decline of around 50% in that channel in quarter one, which seriously impacted the EBITDA delivery, which should recover back, once the stocks in the channel gets corrected. And we should get back for 20% to 25% kind of contribution from this channel.

Anand Shah And so you feel that the stock correction still has not happened, despite that 50% drop continues sort of in Q2?

Suresh 50% drop is also not nothing to do with a stock correction. We have also decided to align the sales in line with the demand offtake. What typically used to happen is the new season starts in the month of July, and the dispatches to the MBO channel we used to do in the month of June. Now we are actually aligning the dispatches in line with July. So, we do not see a major problem in terms of the stock levels. So, this is a one-time kind of a correction, which will sort of get back.

Anand Shah Yes. So, I mean, so this should not continue much in Q2, right I mean, in Q2, you should sort of see primary and secondary aligning somewhat?

Kunal Lalbhai As I said, we might kind of have some de-growth for a couple of quarters. But as we move into H2, you will see the normalization because we are kind of taking a little bit of a cautious view on the first fill. And July, you know, has been a tough month in terms of general sentiment, the company believes that being a little cautious on the trade channel in this environment is the right call. And it could have impact in the short term, as

I am saying a couple of quarters and then you will start seeing it normalize back.

Anand Shah Okay. But you once it normalizes back your margin profile will restore back to the normal levels?

Kunal Lalbhai Of course, there is absolutely no change in the structural economics of the power brand business. It is the one-time primary reduction.

Anand Shah Okay. And when you are through with the sale of the emerging brands essentially and all, are you guiding anything on the capital employed amount, which will sort of come down or release the working capital that will happen?

Kulin Lalbhai As Suresh mentioned, it would be ranging between Rs. 75 crores to Rs. 100 crores from the discontinued brands.

Anand Shah And the amount of sales that will go out because of the discontinued brands going out and?

Suresh Rs. 200 crores will be the drop in sales because of the discontinued brands.

Anand Shah Okay, Rs. 200 crores.

Suresh Rs. 200 crores was the sale of these brands in FY 2019.

Anand Shah Okay. And Unlimited, are you done with the restructuring in terms of the number of store closures that you have to do and, book losses or is that too still continue for a quarter or two?

Suresh No, we have identified the stores, out of 19 stores we have targeted to close 11 stores. We will be closing eight in the second quarter and there may be a minor spillover to quarter three. So, the closure losses on

Unlimited on account of these eight stores will continue in quarter two and marginally will continue in quarter three as well.

Anand Shah Okay. But so, you think on a full year basis Unlimited including the store closure losses will have a higher loss than FY 2019?

Suresh No, it would not. Because we had done some cost rationalization as well. So, it will not be higher.

Anand Shah Okay, so that will not be higher. And your GAP and Sephora already profitable. So, specialty retail as such will have definitely lower losses, Y-o-Y on FY 2020 full year basis.

Suresh That is right, yeah. Specialty retail will have lower losses and also the emerging brands and in emerging brands we are seeing a good improvement in the profitability of Calvin Klein as well.

Anand Shah Okay. So, that should turn into green on a full year basis, the entire portfolio together which is the remaining one?

Suresh Marginal, definitely it will not have negatives as last year.

Anand Shah Okay. And power brands you are saying essentially this will come back into second-half.

Suresh That is right, yes.

Anand Shah Okay. And lastly, on this innerwear, I mean the growth rates seem to have slowed down I mean, you have grown at just 20% earlier obviously growing exponentially, so anything there to read?

Suresh No, not at all, actually, if you look at growth between quarter four and quarter one, if you average it out, I think it is still a 50% plus growth. See, in the case of innerwear, I think we are growing it right because we are pricing the product right, and we are growing with the right margin. So, that way, I think 20% growth in quarter one has been a good achievement. And we see growth momentum in innerwear to continue as we go forward as well. Innerwear profit will be without impact because most of our innerwear sales is U.S. Polo, we are growing innerwear business in line with the profitability of the brand U.S. Polo.

Anand Shah And when you mention the innerwear growth at 20%, you include all the innerwear brands or it is just the U.S. Polo?

Suresh It is the entire innerwear brand but today, it is largely driven by U.S. Polo because U.S. Polo has become a large part of our innerwear portfolio.

Anand Shah Okay. But your earlier sort of ambition was to double U.S. Polo revenues. So, that definitely does not look likely in FY 2020?

Suresh See, we are working towards that goal because we have now reached 9000 outlets in terms of coverage, we are looking at you know increasing the coverage to 17,000 to 18,000. So, we are continuing to look at that kind of number.

Kulin Lalbhai We have two launches also planned in innerwear, we are launching our comfort wear in a much stronger way in H2. Comfort wear is a very large part of the innerwear business. So, there are some large growth drivers which are going to come in, we are also in the process of launching kidswear, so there will be a good growth on an annual level for the innerwear.

Anand Shah Okay. And this all will essentially happen under U.S. Polo?

Suresh Everything is under U.S. Polo and when Kulin mentioned Kidswear, it is Kidswear innerwear.

Anand Shah Okay. And this Rs. 68 crores loss that you booked now, you are done with whatever provision you had to make on the emerging brands?

Suresh Yes.

Anand Shah Okay, perfect thank you.

Moderator Thank you. We have next question from the line of Harsha from Vishuddha Capital. Please go ahead.

Harsha So, the working capital release from the exiting brands is about Rs. 75 crores to Rs. 100 crores, can you tell us what will be the overall working capital this year from the entire portfolio including power brands?

Suresh See, as we had indicated, we had actually dropped the debtors by close to Rs. 100 crores in quarter one. So, we are not giving a projection probably, we will be able to give a better visibility of that in quarter two.

Harsha Okay. So, but there is a working capital release even in power brand, is it?

Pramod We will keep reporting progress. But in line with our philosophy, we will not provide a specific guidance on the numbers. But we will keep reporting progress as a part of every quarter’s earnings call.

Harsha Okay. And has the company generated positive FCF in Q1 or was it negative?

Suresh See, we are looking at a positive FCF at the end of the year. So, definitely not in quarter one which is always the lowest quarter in any fashion business.

Moderator Thank you. Yes, I would like to hand the conference over to you Mr. Lalbhai for closing comments. Sir, over to you.

Kulin Lalbhai Thank you everyone for your time and all the questions you have asked. So, with this, we will close. Thank you.

Moderator Thank you very much, sir. Ladies and gentlemen, on behalf of Arvind Fashions Limited, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.