BRAND CONCEPTS LIMITED

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Date: 21st November, 2023

To,
National Stock Exchange of India Limited
Listing & Compliance Department
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra East, Mumbai - 400051,

To,
BSE Limited
Listing & Compliance Department
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001

Symbol: BCONCEPTS **Scrip Code: 543442**

Sub: Transcript of the analyst/institutional investors conference call as held on 16th November, 2023 for Q2 & H1 FY '24.

Dear Sir/Madam,

With reference to the above captioned subject, We Brand Concepts Limited, herewith attaching the post result conference call transcript for the investors meet as held on 16th November, 2023 for Q2 & H1 FY'24.

You are requested to kindly take the same on your records.

Yours Sincerely,
For Brand Concepts Limited,

Swati Gupta
Digitally signed by Swati Gupta
Date: 2023.11.21 04:18:28 -08'00'

Swati Gupta
Company Secretary & Compliance Officer
Mem No. A33016

BRAND CONCEPTS LTD

Q2 & H1 FY24

POST RESULT CONFERENCE CALL

Management Team

Abhinav Kumar – Whole Time Director & CEO

Call Coordinator

KAPTIFY

Strategy & Investor Relations Consulting

Presentation

Moderator: Ladies and gentlemen, I welcome you all to the Q2 FY '24 Post Earnings Conference Call of Brand Concepts Limited. Today on the call from the management we have with us, Mr. Abhinav Kumar, Whole-Time Director and CEO.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risks and uncertainties. Also a reminder that this call is being recorded.

I would now request the management to quickly detail us about the performance highlights for the quarter that went by, and your growth plans and visions for the coming year post, which we will open the floor for Q&A.

Over to you, Abhinav.

Abhinav Kumar: Hi, very good afternoon to everyone and thanks. Thank you so much for joining this call in such good numbers. So I think Q2, we've had a good result. The markets were good. We've increased our footprints across the channels. So our digital still continues to lead as the biggest channel. But at the same time, it's very, very heartening to see that our offline mix has also in fact improved. Our overall share of offline has improved and we seeing the traction across all our formats. We've opened a few new stores and those new stores have also sort of added to not only creating visibility for us, but also solidifying our position in this entire industry.

So overall, I think things have been good and we hope that we are able to continue a similar momentum going forward as well. I think everybody is well aware about the company and everything. So we could straight away get into the Q&A, Vinay?

Question-and-Answer Session

Moderator: Sure, Abhinav. We already have a few hands raised. We'll start with Swapnil Kabra. Swapnil, you can go ahead, please.

Swapnil Kabra: Hi. Firstly, congratulations for amazing set of numbers. And I really loved the advertising campaign that that went live.

Abhinav Kumar: Thank you.

Swapnil Kabra: Yeah. So I have two questions. Firstly, can you give us some colour regarding the store expansion plans that we have for this year and the next year?

Abhinav Kumar: So we started with somewhere close to 30 odd stores. We finished last year on 30 odd stores. And now we are already at 36. So we've opened six stores. In fact, we opened seven. We had to close down one store as well. And I think, we should be able to add another four to six stores at least by the time we end up this financial year.

Swapnil Kabra: Okay. Any plans for the next year?

Abhinav Kumar: Yeah, so we want to take our store count to 100 in the next two, 2.5 years. Now we're at 36, so you can do the maths. We want to take our store count to about 100 stores in the next two, 2.5 years. That's the plan. So in fact, we are now looking at increasing our penetration even in the Tier 2, Tier 3 cities, because I feel that India is growing overall not only in metros, but there is a lot of potential even in the smaller towns. And we've seen those results. So one of the reasons for this campaign was also not only to generate awareness about Bagline in the consumer space, but it was also intended that we generate some awareness in the B2B spectrum as well.

And very, very happy to share that the campaign has really worked well. We've started getting enquiries, B2B enquiries, franchisee enquiries from a lot of people. And hence, we expect that in the next three to four months, we should start the volume of stores that we will start opening would be higher than what we've been doing. Till now, we've been very, very judicious in our store opening plans. So we don't take more than 12, 15 stores as a target in an entire year. We aim basically that we do a store a month. That's been our hot process and journey till now. But now going forward, we want to increase this and hence you will start seeing that from next year onwards, we will start opening more stores.

Swapnil Kabra: Okay. Can you also update us about the IFF Overseas merger? When is it going to happen and how would the shareholding look like post-merger?

Abhinav Kumar: So shareholding post-merger would be, I think we've already disclosed the share-swap ratio. It's not a very high share-swap ratio. I think it's somewhere around 1:3.5, 1:3.6. That's the kind of share-swap ratio which has been derived. So we appointed a registered valuer, an export valuer submitted to the process that we followed was, we submitted the next four or five years plans to them. And the plans also which were submitted, though I'll not be able to share too much of details over here, because it's not out yet in the public domain. And we should be filing it, at the moment we get an approval from the exchange. We should be filing everything for everybody to sort of review and see. But just giving you a gist of it that we've taken very conservative numbers for the next five years for that company as well.

And the valuer also has taken sort of a conservative approach. And based on that, the valuation was arrived, which was presented to the Board. And the Board approved the same. And hence now, we've filed it for an approval from the exchange. Once the approval comes, I'm going to be sharing it with everyone.

Swapnil Kabra: All right. Thank you so much. I'll join the queue again for more questions.

Abhinav Kumar: Yeah.

Swapnil Kabra: All the best.

Moderator: Thanks Swapnil. We'll go to the next question from Rizwan Patni. Rizwan, you can unmute please.

Rizwan Patni: Good morning, Abhinav. How are you?

Abhinav Kumar: Hi, good morning, Rizwan. I'm good.

Rizwan Patni: Abhinav, just the follow-up question on the store counts. The previous outlook was of course the 100 in the coming two years. And as per the past two discussions we had, it was around for this year 15 to 18 stores. If I'm not calculating the math, it should be at least seven to eight stores by the first half. But it is a bit slower. Any reason for that? Because if we do the maths, it is 23 stores or at least 20 stores a year to go to that count in the next two, three years, so?

Abhinav Kumar: See, as I said that in the first six months, we have opened almost seven stores. So that ways if you see we are there on the track. However, you also need to take calls on certain stores where probably economics are not working out, mathematics are not working out or there is a mall reshuffling, which is happening. Anything of that sort, you might, it's always a give and take where you'll open a few stores or you'll open more stores and you might have to close a few.

The total store count that you see today is a resultant of stores being closed and new ones being opened. So that was we are pretty much on track. We had thought of, and at the same time see I've always believed that I don't take a store opening is a very, very important exercise. And I don't take a pressure or I don't put pressure even on my team that we need to open 15 stores and now come what may we have to open 15 stores. All of these, this might result into you taking a wrong call on a store. And taking a wrong call on a store is more detrimental. It's better that instead of 15 you open 12, but those 12 are good ones.

So we are now touch wood an integral part of one of the leading malls. The mall developers today is Phoenix and very, very happy that, in such a short span of time, we are now one of the integral part of all Phoenix projects. Any new project that they announce, we are already an integral part of theirs. They give us preferred locations. So if you go a little consistent rather than me coming in and I'm saying and saying that, we'll open 50 stores this year. I've never believed in that. So, but to answer your question, yes, we are pretty much on track on whatever we had planned for the year.

Rizwan Patni: Perfect. Abhinav, the next one is regarding the new brands where the presentation says, of course, you have given some light in the last call as well that there will be two, three new brands. So, are we talking about this fiscal year or it will move up to till you finalize the agreement and will be able to declare, which brands are coming in? What is the timeline we can expect?

Abhinav Kumar: See new brands, as I had said in my previous calls as well Rizwan, is that new brands are always work in progress. So, but these things take a little time. Again, new brands is exactly, is in fact more complicated than opening a store in a Phoenix mall. There you just have to look at the location, get your ROI right, get your projections right. And then you take a call. Whereas in a new brand, you're getting into a long-term agreement, you're getting into all of this. So it takes obviously all the more time. This fiscal year, I'm not too sure. To be honest, it might by the time you complete the agreement by the time you do everything, it is a little time taking process.

So I wouldn't be able to comment whether or commit rather that we'll be adding more brands in this year itself. But yes, as I said, it is a work in progress. So we are constantly evaluating brands, constantly in touch with these brands.

Rizwan Patni: Just last question from my side Abhinav, as we are going with the merger with IFF, with the manufacturing unit and on top we are doing this greenfield project bottle land and putting a new factory. So what is the scale of economy or what is the thought process behind as we already have a manufacturing unit which will be doing a merger with, and then you also do a greenfield. So how it is going to scale up the business and what value we are expecting in the coming period with this CapEx?

Abhinav Kumar: Very good question, Rizwan. This is the fundamental basis on why we decided to merge the companies. So IFF Overseas, if you'll have to understand, IFF Overseas is majorly a backpack manufacturer. And as a company we also realize that we need to get into manufacturing of our own in terms of luggage, and when I say more so the hard luggage. So when I thought of getting into hard luggage manufacturing, now my team out here currently is not a manufacturing expert. We are the front-end guys, we are retail experts, we are planning experts, we are sourcing buying experts, but we are not manufacturing experts whereas we had a sister concern where they have a manufacturing experience for the past 25, 30 years, right.

They understand the nuts and bolts of manufacturing, dealing with labour, dealing with productivity and all of that efficiency. Everything is and with those 25, 30 years of experience that they have, now I had two choices. One was either I build up my own team in terms of entire manufacturing, and then do this greenfield project of hard luggage or the second option I had was I merged this company so that I get that entire experience, that entire team. There is a CEO, resident CEO over there and there's a full-fledged team, which is running that company. And hence we thought that it is a much better idea that you bring them in and then the entire manufacturing division is taken care by that team. So that's the whole thought process behind this.

And yeah, so hence we thought of going ahead with it and I think in terms of value unlocking or in terms of how do I see over there, I think, see India lacks today when it comes to luggage manufacturing. There are very few players, it's not like a barrel manufacturing where you go and you'll find factories all across the country. So there are very few people who have the know-how who are into luggage manufacturing.

And hence, for a player like us who is already into this category, it made sense that we have our own plant. So when I say as it is, it is a little niche category, as it is, there are not too many factories all around. Yes, now they are opening, but not too many upscale or good quality manufacturing available in India. I personally foresee that there is a lot of upside to this manufacturing. If you get it right, I think a lot of brands that I speak to internationally, they're all looking at initially it was China plus one. And now I hear that, they want to completely look at India and completely probably move the base from China to India. So I think manufacturing in India is going to grow as a sector and more so in our sector, obviously, where it is as it is under penetrated. So that was it was a no brainer that we get into this. I hope I have been able to answer.

Rizwan Patni: Yeah, thank you so much for this clarity and best of luck.

Abhinav Kumar: Thank you, Rizwan.

Moderator: We'll take the next question. Before that I would request all participants to just restrict to two in the initial round since we have quite a few participants. We'll take the next question from Nirav Saxena. Nirav, please go ahead. Can't hear him. We will take the next question from Devvrat. Devvrat, you can go ahead please.

Devvrat Himatsingka: Hi, Abhinav. Fantastic set of numbers.

Abhinav Kumar: Thanks.

Devvrat Himatsingka: I'm really happy to see that you guys are walking the talk and in fact under promising and over delivering. So hope to see this continue. I have a couple of questions around IFF Overseas, the merger. I mean, I understand that that you guys have done it on a revenue multiple, right like, would that be correct?

Abhinav Kumar: Not exactly a revenue multiple. I think there were three methodologies taken. One is your income approach. The other is asset approach and the third is market approach. Market approach obviously doesn't apply to IFF Overseas because the shares are not traded publicly. So between the income approach and asset approach is what the value has taken that this thing. So it has come to from that perspective, the income approach method.

Devvrat Himatsingka: Okay. Can we get some sense on say the net worth of IFF Overseas, the net worth of the merged entity after that and also how much debt would you have on your books after that like both long-term, short-term combined?

Abhinav Kumar: See, net worth of IFF Overseas, I don't think I'll be able to or I'm allowed to reveal that in this call until and unless I've published it on to the exchange. But I can say that see when we're merging this company, it is being merged along with the land, plant, machinery, everything, building, plant, machinery, everything. And there is a technical reason also for that why it is being done like that. Initially, we have thought that I would probably merge it without the plant and building, the land and the plant. But for technical reasons as the same property has been given as a collateral to our banks and all of that and hence, and plus the new facility is still not ready.

And it is, it will take us at least two to three years for this entire thing to move. We're initially starting off only with the hard luggage plant. Once I have sort of settled that plant, then the next phase probably would be that I move this entire plant to the new facility. So we are looking at, at least two and a half to three years down the line. So we need to run the plant for the next three years as well.

So with all of this, once we're merging with all the plant and machinery at a market valuation, probably once we are out with all the figures and numbers, I'll be able to shed more light. But I can just say that from a market valuation perspective, it's a decent sort of asset that they already have.

Devvrat Himatsingka: Okay, got it. And if we are looking, I mean, you've already pulled off like ₹130 crore turnover in the first half. So just wanted to get some sense. I see that the margins are faltering a little bit. Can I get some sense as to why that's happening and how we can improve this going forward?

Abhinav Kumar: No, if you'll see our margins have, that was not faltered. In fact, from last year to this year, our GPs have increased by 1.2%. So our GPs have increased. The net effect of the pack that you see is also, it should be seen excluding the ESOPs. Now I had mentioned it earlier as well that ESOP as a policy We were very, very serious about it and we're bringing more people.

I would want to bring more of my people into ESOPs because we all are only as good as our team, right? So the rejoicing has to be towards the team as well. But now if you see, so there are provisions for ESOPs which have been put in. And these are not cash expenses. So it's not a cash outflow. And in fact, it helps in, it qualifies as an expense and it hence brings down the tax expenses as well. So if you look at the adjusted EBITDA and the adjusted PBT, you will see that the margins have become better.

Devvrat Himatsingka: Okay, got it. And sorry Abhinav, one last question. Just wanted to get the sales mix, the channel-wise sales mix.

Abhinav Kumar: Yeah, so as I said, our channel mixes is actually very good. Very, very happy about that. Our online is contributing almost about say 44%. That's the digital. And when I say digital, it again encompasses both B2B as well as B2C. Now B2C is something which is the marketplace that we control on all the various platforms. Now with that, if you'll see, our marketplace sales have started contributing to almost 35% of our overall e-commerce sales, more than 35% actually. So the past two months, past month it was almost at 38% to our overall e-commerce sales, which is a very, very healthy sign.

Out of that, we are also pushing in retail products over there. So, which is getting a little technical, so I'll avoid that. And large formats also have shown a very, very good growth. So can I have that, that slide, yeah. So you'll see even in our -- this thing, if you see LFS is almost 12%, right? Online is about 44%. And our corporate institutions, now if you will see corporate institutions last year, last call also had mentioned that we've done a few strategic calls.

Those corporate institutions also have been done in certain channels, right? So for example, it was done, one corporate, this thing was done in large format. Now I could have easily added that whole percentage or that entire sales onto large format itself. And we could have looked at it like that, but I don't do that, primarily because the nature of sales is different. And hence, we put all of that in institutional sales. But the point that I'm trying to make is that these institutional sales also have come through these channels.

So very, very happy to see that one, one and a half years back, we were almost 50% to 53% contributions coming from e-commerce. And now, if you see, we've grown in all channels. And the e-commerce now is at 44%. And 56% is offline brick-and-mortar stores, which is a very, very healthy sign for us.

Devvrat Himatsingka: Got it. Sorry, can I just get the standalone debt number again?

Abhinav Kumar: Of IFF Overseas, yeah.

Devvrat Himatsingka: No, IFF Overseas and Brand Concepts, I mean, if you can give both. And then…

Abhinav Kumar: So IFF has about ₹11 odd crores of debt. And Brand Concepts has about ₹25 crores, ₹26 crores of debt. This ₹26 crores includes the working capital, everything. No, even the LCs no, okay. So combined would be about ₹37 odd crores.

Devvrat Himatsingka: Okay. And what kind of interest are we paying on this? Would it be like 10%, 11%?

Abhinav Kumar: No, I think Brand Concepts is about 9%. IFF would also be the same.

Devvrat Himatsingka: Okay, okay. Thank you so much.

Abhinav Kumar: All right.

Moderator: Thanks, Devvrat. We'll take the next question from Abhi Jain, since he's unable to raise his hand. Abhi, you can go ahead and ask your question.

Abhi Jain: Hi, good afternoon. Hope I'm audible.

Abhinav Kumar: Hi, good afternoon. Yes.

Abhi Jain: First of all, Mr. Kumar, I just want to say that we love your candour and honesty. And whatever roadmap you lay in front of us, you more or less deliver. So we can just sit back and applaud your performance. And whatever you comeback, we don't have to do anything as shareholders. We just have to come back quarter-on-quarter and applaud your performance. And I hope we continue doing that in the distant future. And I hope you continue on your honesty and candour. And this is the way you continue because I think there's a long runway for Brand Concepts with you at the end. So congratulations on that.

Abhinav Kumar: Thanks for trust.

Abhi Jain: Yes, I just have two basic questions. One is, I wanted to understand on this, the tax rate has been a bit variable quarter-on-quarter over the last three quarters. So just wanted to understand what is the steady state tax rate that is expected for the company and if you can just give a flavour around that?

Abhinav Kumar: Yeah, it confuses me also to be very honest, Abhi. Every time that I see this thing and I check with my auditors and my finance. They are, every time, how does it go? I think there is some methodology where so the 25% is the corporate tax, which is applicable to everyone, but then there are certain cesses which get added on. So I think there's a 12% cess at a particular limit. Then if you cross a certain turnover or if you cross a certain, this thing, it gets further added and everything. So net-net, what I've understood is that our tax and then there is some calculation of deferred tax also which comes into play. So all of this put together, what I've understood is that, our taxes anywhere between 29% to sometimes it goes up to almost 31%.

Abhi Jain: Okay. Okay. So steady state tax rate would be in that rate going forward?

Abhinav Kumar: Yeah.

Abhi Jain: So the second question I wanted to understand is that I don't know if you follow Mr. Buffett, Mr. Warren Buffett on all, but you have a strong view in terms of the power of the brand and he says that, the power of the brand lies in the pricing of the brand. And as soon as your pricing deteriorates, if you're not able to control that, you lose your customer, you lose the brand. And also we have done some discounting, et cetera. But I just wanted to understand that going forward, what is your plan, your strategy around treating that premiumness of the brand?

Do you think that in a market like India, discounting is a necessity to attract that kind of eyeballs or do you think that we'd reach a steady state, you know where the pricing would be premium and we can get that premium pricing or that full pricing in the quarters going ahead because I'm very interested and I think that it's the brand that is working for the company and the premiumness of the brand and that is something that will be the long way, the long runway of success for us. So any strategies of what are your thoughts on that, if you can just help us understand that?

Abhinav Kumar: Yes, so I think it's a very, very relevant thing, Abhi and this is something that this subject is very, very close to my heart. Most of the players, even today in this industry, they operate as a commodity industry rather than operating as a branded industry. And I've always believed that a brand is something which, so products are made in the factory, brands are always made in the mind of the consumer. And to make that brand, you need to have a good story around that brand. If you have a strong story and if your consumers resonate with that story, who those brand values that you're putting in, you have to think of it as, it's a person, right?

You're putting in life into a person. And how you shape that person is how well he gets accepted in the society. So if he is extremely, if you've made that person into a very exclusive, very high-end sort of a glib talker, but at the same time he is super, super rich, he will obviously move only in the super rich circle.

Now if you think that that person, could he also connect to a farmer, he will not be able, right. So that's what in a nutshell it means that if you start discounting, but sadly what has happened is this industry, the major market players, the only way they thought of growing was discounting and now believe me, discounting ideally, we call it EOSS, End of Season Sale, which means the purpose of EOSS was that whatever is left of your seasonal stock, you discount that and sell, here and it's not discounting, it is a fictitious MRP.

Abhi Jain: Right.

Abhinav Kumar: To be honest, I hope none of my competitors see this here, but it's a fictitious MRP, so it's in a way, you are cheating your consumer, where you are saying that you decide on the consumer price and then you just do plus into two, that becomes the MRP and you say that it's sort of 50% discount.

So while yes, we are in this industry, I can't ride the high horse that I will not sort of discount add on. But we keep a track on it. And I think I can safely say that we are one of the least, one of the -- I could claim this, that I'm the least discounted brand in this category. Sometimes, even the e-commerce, I wouldn't again take names, but my last meeting with some e-commerce players, and I had told them very, very categorically that there were some price war happening, and they in fact were selling at lower than they had bought from me, burning from their own pocket. Making any margin burning from their own pocket. And we went and sat down with all the major players, told them very, very clearly that if anything of this sort happens again, we're going to pull out of your platform. Very, very clear. I don't want to compromise on the brand and the brand's value. So we've put guardrails. And again from a positioning perspective, I believe that Tommy Hilfiger as a brand would go a little more premium.

Once we have the entire Benetton set of products available and out in the market, Benetton would be obviously priced lower than Tommy, and Tommy would be going a little further up as is the case even for the overall brands. If you look at their stores, they've been performing really well. I think and Shailesh has always been involved with Tommy. And now, obviously overall Arvind he's a very dear friend, and I really have a lot of belief in his business acumen. So Tommy is going to go from strength-to-strength and the brand has become more premium even in their stores. So we're also looking at how can we make this a little more premium. There are a lot of things that we've done.

We launched a leather collection some two or three seasons back just as a test. Now where on an average we were selling a backpack for say ₹3,000 consumer price or ₹2,500 a consumer price. We launched leather backpacks for MRP ₹18,000. We sell it from our stores, zero discount and looking at the brilliant sell-through of those bags, we now have a full dedicated wall in our stores. If you go to a Bagline store, you will see that there will be a full dedicated wall on this entire leather business collection, and they're very fairly priced. They're not abnormally priced, fair pricing, no fictitious pricing over there and we're giving extremely good quality bag, which the consumers are loving, right.

So there are a lot of these things that we've done even in our distribution, our overall pricing, our wholesale price in the distribution has gone up by almost 30%, close to 40% actually, close to 40% in the last two to three seasons. So we are constantly upgrading the products and constantly upgrading, elevating the brand.

Abhi Jain: Appreciate your honesty again. And as I said, we'll just keep coming back quarter-on-quarter to applaud your comments and I hope you continue in the same way. And thank you so much for your time.

Abhinav Kumar: Thanks Abhi.

Moderator: Thanks Abhi. We'll take the next question from Jignesh Kamani. Jignesh, you can go ahead please.

Jignesh Kamani: Yeah, hi Abhinav. Congratulations for another set of great numbers.

Abhinav Kumar: Thanks, Jignesh.

Jignesh Kamani: Just on the UCB where are we right now in terms of a design collection, I can say, more or less in season. And tentatively what kind of revenue you think we can book this year and future roadmap for that?

Abhinav Kumar: See, UCB we've already started the rollout. So the rollout has already started. We are in fact, I think we would be in close to 150 point of sales already with UCB. However, we've not been able to roll out all the product categories. So small leather goods have already been rolled out. We are there now in Shoppers Stop and Lifestyle. The initial figures, which are coming are quite nice, very encouraging.

Travel Gear majorly would get launched during the -- I think the rollout will start happening in Q4, because luggage as it is, as all of us understand, takes a little more time. So by December onwards, we will start the rollout of luggage is what I believe. And I would say that this year it's difficult to comment on the exact figure that we will sort of achieve. But I think UCB will still remain in single-digits in terms of percentage of contribution. It will be under 10%. But this is a rollout here. From next year onwards, I would see that UCB will start contributing much more. The initial feedback, initial thing is very positive and very good for the brand.

Jignesh Kamani: So we have also witnessed that Diwali demand has been shifted from second quarter to third quarter for us, because Diwali this time has been delayed?

Abhinav Kumar: Yes. That also and plus, October, if you see has not been a good month for the entire retail industry, mostly. So two, three reasons. I think one, obviously good 15, 20 days were in that Shradh Paksha. Diwali have to be delayed thing it was 12th of November. So the Diwali shopping sort of started happening more close to the Diwali period, week 10 days back, week 10 days before Diwali. So markets are started retail has started sort of picking up. But yeah, October that has not been a very, very good month for overall retail industry.

And again, adding my analogy, the World Cup while we all are hooting for our country, but that also I don't think has helped retail very well, because all India matches were on weekends. Then the way India is playing, there was very less footfall. We saw a direct drop in footfall across all the stores.

Jignesh Kamani: Understood. And how is the growth rate between the small leather goods item in the Travel Gear for this quarter?

Abhinav Kumar: So obviously our Travel Gear has taken the front seat now. And the Travel Gear has started growing also pretty well. So if I were able to comment on my Q2, my Travel Gear has grown by almost 136%. So we've more than doubled in terms of the Travel Gear. In small leather goods, we are in single-digits. And I believe that we again, I have always been very, very open and this thing with all my people and all the shareholders. I believe that even in small leather goods, if I break it down, there are two major divisions. One is wallets, the other is belts. We continue to see good demand for belts. But wallets as a category, I feel that it's not a very high growth category anymore. I wouldn't say that it's a dying category. I wouldn't say that, but I would say that yeah, we cannot see a very, very tepid sort of growth or rather a degrowth in that category, primarily because a lot of India is shifting to digital.

So hence the usage of wallets, the whole relevance of carrying a wallet is going down and more so if you will understand in the young consumers, in the youth, it's further going down. People have moved to digital payments. It's become so easy. So as a company, we will also need to innovate. We will need to set up think on our feet, because it's a sizable amount of business that we were able to generate from our wallet sales. So we are already in the process of putting down certain other categories to sort of compensate this division of our business. So, yeah, as you always have to evolve because consumer preferences might be changing, might be it will change.

So hence it's a constant evolution process, consumers are evolving, hence you also need to evolve. So we are also in the process where we're looking at how can we evolve getting into different categories of small leather goods. I hope I've been able to answer your question.

Jignesh Kamani: Yeah, a lot. Thanks a lot.

Moderator: Thanks, Jignesh. We'll take the next question from Nirav Seksaria. He had some technical issue when invited earlier. Nirav, you can unmute please.

Nirav Seksaria: Yeah. So in the previous call you had mentioned that you would like to reduce the reliance on Tommy Hilfiger as a brand in terms of revenue. So has it reduced and could you also give the percent as for Q2?

Abhinav Kumar: Yeah, so as I said, see Tommy Hilfiger is a beautiful brand and very, very close to my heart. I started my retail journey from this brand. But at the same time, I think when I say that I want to reduce the dependence on Tommy, it basically means I want to reduce the dependence on any one brand. Yeah, it could be Tommy, it could be Benetton, it could be XYZ, any one brand. One brand was required for us to perfect the model to come to a certain stage, to come to a certain scale. And then from there, we want to become a house of brands rather than concentrated on just one brand.

So yes, the share of Tommy Hilfiger as a percentage has been coming down. Let me just look up on the exact Q2 percentage. But I would, till last year we were almost about 85% kind of revenues coming from here. This year I think we should exit somewhere close to between 75% to 80%.

Nirav Seksaria: Okay. And so does a company thinking to introduce any new, not introduce, but enter into any new product because previously you had spoken about gaps?

Abhinav Kumar: Yes, it's a work in progress.

Nirav Seksaria: Any other products on a similar line that you would like to enter into?

Abhinav Kumar: We are, as I said, last question as I said we were into fashion accessories. So we will keep hunting for new product categories. So have been trusted, we in fact formed a proper R&D team. So instructed my team to come out with certain new products, certain new categories where we could, where we see that, if we start building it up today, probably three years down the line, we'd start seeing the results of those categories.

So yes, we are in the process, but it's not that, as I've said earlier also, we will not bet our shirt on any new experiment. So while the experimentation is always ongoing, we don't want to bet our shirt on it.

Nirav Seksaria: Is there any timeline for cap, since the cap culture is entering into the Indian market slowly and steadily now?

Abhinav Kumar: Yes, yes. Yeah, so I think I would say that the good season also is spring summer. So hopefully by spring summer, we'll have some small collection which we would be sort of going ahead and launching.

Nirav Seksaria: Okay, sure. Thank you.

Moderator: Thanks, Nirav. We'll take the next question from Ajay Aggarwal. Ajay, you can unmute please.

Ajay Aggarwal: Thanks. Hi Abhinav, congratulations on good set of number and happy Diwali to you and your family.

Abhinav Kumar: Thank you, wishing you a happy Diwali to all the people and their loved ones present over here.

Ajay Aggarwal: Yes, yes. You already presented us with Diwali gift, I think with. Thank you. First, I have two questions. First is like, is there any update on Tommy contract? Any revision expected like in terms of any terms and conditions rising?

Abhinav Kumar: Some little negotiation do happen so but those negotiations and everything is done, it's just that I'm awaiting the printed contract.

Ajay Aggarwal: Any major financial impact, and change in quality comes?

Abhinav Kumar: See, I'm not allowed to -- in the past I've been being in my candour and everything I've shared it earlier as well. But then I was rightly prompted that, because of the NDA that signed, I'm not allowed to actually share the exact commercial details. But see, royalty for -- you have to understand, royalty for me is essentially a component where it's basically a brand cost. It's a product cost. So if you're able to charge a certain premium to a brand, that's how you calculate your royalties and pay. So it's not that we end up paying through our own pocket. So it's a variable cost for us, right? Yeah, so I don't see whatever these changes in royalty percentages up, down, this and that. I don't think it will have a major bearing on my net margins.

Ajay Aggarwal: All right, fair enough. Thank you. Second is like any corporate sales or any like, are we looking at developing any team for this corporate department like corporate B2B sales for Diwali?

Abhinav Kumar: Yeah, we already have, we have a small team. There's one person at the centre, but we are looking at, so this is a division that I would say that, yes, in the future, we would expand on this division. And I see a lot of opportunity coming along this way as well. But yeah, so currently, it's split between the various teams. So because we get corporate inquiries through our EBOs also, we get corporate inquiries, through our large formats also, we get corporate inquiries through various different channels.

So it's split up between all the channels and hence it's a shared responsibility of all the channel heads. But yes, going forward, probably next year, we might put a full listing in motion where we would then actively look out for corporate promotional tie-ups.

Ajay Aggarwal: Okay, all right. Okay, just a small clarification, like during Diwali shopping, I've seen a store at south ex for Tommy, but I'm going to their like website and presentation. So there's only one store in that.

Abhinav Kumar: Yeah. So we don't call that as an EBO. It's a shop and shop. Earlier we used to have an EBO over there, but then it was a franchisee store. And we agreed with the franchisee that he wanted to develop his own multi-brand, this thing. So he keeps other brands as well. Now because he keeps other brands as well, we don't qualify it as our EBO.

Ajay Aggarwal: So how much of these EBOs are there in like daily or like some other parts because it will definitely, we won't open any store around it might be something.

Abhinav Kumar: No, see South has a market, is a good market and but it's more of a high street market. We are currently, we were focusing a little more on either the premium high street. very, very premium high street or the premium malls. But that doesn't deter from the fact that we can't open a store. See, a store has a two kilometre at best, a two kilometre core radius, any offline store. Until next, it is destination shopping. It will always have a two kilometre core radius. Extended radius could be maximum five kilometres. So, from that perspective, if you look at the more the store is the merrier, it's that kind of situation. The more you are seen, the more you sell.

Ajay Aggarwal: Okay. Thank you.

Moderator: Thanks, Ajay. We will take the next question from Kashish Gandotra. Kashish, you can unmute, please.

Kashish Gandotra: Congratulations on a good set of number. My question pertains, first question is pertaining to the, if you can give me the revenue split brand wise, that how much of the revenue come from Tommy, how much is it coming from UCB Tech would be?

Abhinav Kumar: Okay. See, I'll give you H1 or even Q2.

Kashish Gandotra: Q2 would work. Even if you have H1 ready with you, that is also good.

Abhinav Kumar: Just a second. I just have to look up to give you the exact percentages. Now, you could proceed on to the second question. We could come back to this.

Kashish Gandotra: Yeah, sure. Then my second question is pertaining to the UCB brand. So, which is going to be key product and to the UCB. So, for example, in Tommy, it is the luggage, but in UCB, where do we see the majority of the revenue coming from whether it could be wallet, belt or the travel bags, which we are having, which will be the key product in this segment, in this brand?

Abhinav Kumar: Yeah, I believe all the three product categories, small leather goods, travel gear and women handbags, all the three product categories have a lot of potential in UCB because UCB as a brand if you see, it's not only a fashion brand. It's people love the brand. It cuts across very segments also. So even the UCB Kids, for example, is one of the biggest kids brand in India. It's one of the most successful kids brands in India. So right from kids to youth, to young adults, to adults, everybody, it's a very inclusive brand. And hence, I see that, even in the women handbags, I see women liking Benetton a lot. So I see, I foresee that we'll have a lot of traction there as well. But yes, if you ask me about the major category, I think, travel gear in Benetton, in overall is going to be the hero.

Kashish Gandotra: Okay, just one more thing to add. Do we see that UCB has a bigger market as compared to Tommy? Or Tommy is more of a premium brand, where I guess UCB is something which can be associated with that, so do we think that the market potential is going to be bigger in UCB?

Abhinav Kumar: In a way, yes, I would tend to agree with you, Kashish. In fact, if you look at overall brand figures, I think I'm not completely aware, but from the number of touch points, from the number of stores and everything, UCB is far more bigger in terms of number of stores than Tommy. Because Tommy is an exclusive brand, Tommy is a premium brand. Whereas UCB, in fact, in India, Tommy sits more in the bridge to luxury or say a super-premium kind of a category. Whereas UCB is more since in the mass premium sort of a category. So obviously, UCB has penetration, has overall sales also, I think UCB would be bigger than Tommy Hilfiger's standalone.

Kashish Gandotra: Okay, good. Thank you so much.

Abhinav Kumar: That's on the apparel side, that's on the brand side. How much of that we are able to replicate? I would hope to replicate that. But how much we are able to replicate, we'll have to wait and see.

Kashish Gandotra: Sure, thank you so much. I think if you can just give me the revenue split, that is for myself.

Abhinav Kumar: Yeah, see exact figures I'll not be able to share, but I have the percentages in front of me. So UCB is close to about 3% to 4%. Aeropostale is about 3%. My other brands and all the other activities that we do is about almost close to 13%, 14%. And hence, THS is just tad less than 80%.

Kashish Gandotra: Okay, thank you so much. Good luck for the next quarter. Thank you.

Abhinav Kumar: Thanks, Kashish.

Moderator: Thank you. We'll take the next question from Vinay Bathija. Vinay, you can unmute please.

Vinay Bathija: Hey, hi, Abhinav, first of all congratulations on a very good set of numbers. We've been tracking this company since a long time. I have few basic questions. So first of all, as far as, so like the earlier I asked for a breakdown based on brands, can you give breakdown on the product categories too? The revenues depending on product categories, this would be like hard luggage, women handbags and sport, that would be one thing. Going forward, even if you don't have it now, that's fine. Going forward, the reason I'm asking is where, so I understand that okay fine, we will, I mean taking if history is a good predictor of the future, Brand Concepts would do really very well in the hard luggage segment, the bigger luggage segment.

But where would be the next exponential growth coming from? I guess are we looking at handbags or what is the product category that we would be targeting at? Personally, I feel that India is at, the Indian market is at a stage where handbags could take the next leap. So that is your thoughts on that and the breakout. My second question would be, so this is not again my, so I have few females whom I showed the brand, Sugarush was shown and even UCB was shown. UCB, I do understand that it's at a nascent stage, but compared to other brands that we have specifically in the Indian handbag segment, so be it all these, whether we are in the similar price range I guess.

So the variety that was available was not at par with the brands that are there in the market. So what are we doing at that? So you understand that I'm trying to figure out that what could be the next product that could take Brand Concepts from a sub-₹500 crores company towards ₹1,000 crores company? Thanks.

Abhinav Kumar: Okay, so to answer in terms of percentages, our overall travel gear, if you will see, is close to, there will be a lot of demand. Yeah, so travel gear now is more than 60%. So 61% is travel gear. Handbags would still be very, very small. Handbag would be sub-10% still and balance is all small leather goods. So that's the broad split up. Now if you see that, yes, handbag, as I said is sub-10%. Small leather goods, I think is going to be, it's going to grow obviously, as we are going to add more brands and everything is going to grow.

But as I said that wallet as a business is not a very bright looking category, right because of the consumer presence is changing. So Untilness, we are able to sort of innovate new products and everything and then grab onto that is going to be a little muted as a story. So that brings me to, but yes, belts, I think that that category is here to stay, here to grow. And I don't foresee any threat to belt even 10 years down the line, right? Nothing will replace a belt. You will keep wearing belts, you will keep wearing belts.

So that's a very intrinsic category. Nothing will happen to that category. So that's small leather goods. Now, which brings me to the two mainstays, which is one is women handbag, the other is travel gear. So I'll quickly, this thing on the travel gear, we all are seeing travel is increasing. There's still a lot of long way to go. So hence there's no doubt on the travel category, to be doing good. Coming on to the handbags, handbags is again a very different dynamic. So I personally foresee that it's a brilliant category. Today or tomorrow, this category is going to explode. Today, what is happening is again, lot of players have again commoditized even handbags as a category.

So there are two markets existing today in handbags. Either it is directly at the bottom of the price curve, where right from say ₹1,100, ₹1,200, ₹1,500, going up to say maximum ₹2,500, ₹3,000 either everybody is concentrated on this segment, whether the brand that you named, whether it is Baggit, whether it is Lavie, whether it is Caprese, whether it is Allen Solly, everybody is concentrated on this. Now, as you move up from ₹3,000 to say a ₹6,000, you start getting a few more brands added to it. The whole space from ₹5,000, ₹6,000 to ₹10,000. Now in that space, there's just two or three brands, which come to your mind.

Then all the other brands, which are the international brands, they start ₹15,000 and above. So then you have a lot of options. You have right from Michael Kors to Coach to Prada, to Prada actually gets into luxury, but you get a lot of brands in that bridge to luxury segment. So from a consumer perspective, what I feel is that there's hardly anything available between ₹3,000 to ₹10,000. So that's a space which I believe that's a good space to be in. I wouldn't want to be too much into that ₹1,200, ₹1,500.

So Sugarush for us was immediately in that space. But as I said, it's a bloodbath over there. And I don't like to sort of just burn, burn, burn something and then try to make something. So hence, from that perspective, Sugarush, I don't see Sugarush doing some great shocks, I don't see it doing any great shocks. So, till the time we get the right brand from in that price, in that price portfolio, UCB of course is a big bet for us, but UCB also would be sub ₹3,000, because that's the price bracket, price matrix that fits into UCB.

So we hope that we'll be able to do some, based on the design, based on collections, based on whatever our expertise is, if we are able to do something good in UCB, it will be very, very happening to see. And then I would like to take brands which are in that price bracket, which are in the premium to bridge to luxury space, because that's a space that I have been eyeing for a long time. But we need the right brand for that space. I hope I've been able to answer.

Vinay Bathija: Yeah, fine. Thank you.

Moderator: We'll move on to Kamlesh Bagmar. Kamlesh, you can unmute and ask your question please.

Kamlesh Bagmar: Yeah, hi, Abhinav. Thanks for the opportunity.

Abhinav Kumar: Thank you.

Kamlesh Bagmar: So one question on the part of your like renewable or agreement with Tommy, like say, I believe it's due in December. And if I see your license fees as a percentage of total revenue, it's around 10 odd percent based on your last financial year. So as you mentioned that it won't impact, but if say this transition period right from December, how it transitioned, and if the proportion of the license fees has increased, then how do you see the impact on our earnings. And first on the clarity like would it be renewed in a very free manner or does it take some time or how that process happens?

Abhinav Kumar: So, PVH in India is a JV between PVH Europe and Arvind. So, PVH Europe is the parent company which holds the rights for Tommy Hilfiger as a brand. Now, PVH Europe gives the license to PVH India which is this JV company in between PVH and Arvind. And then in turn this PVH India gives us the license us or be it typing or be it installing or whatever so. Our reporting license or is PVH India. Now, so we will follow a cycle of PVH Europe so in terms of number of years or in terms of whatever their contract is we will be following the same cycle. So that's number one.

And number two is you asked about the royalty and the change. See, for a quarter here and there, there might be some impact whenever you take a new brand, you launch a new brand, you launch or you renew a contract and there is a change in margin structure or royalty structure. This I'm not talking only in respect of Tommy, but I'm talking in a general aspect that you might see an impact in probably a quarter, two quarters or whatever. But when I say that I don't see a major impact of this thing, because overall, from the long run perspective, you have to understand that this gets loaded onto the product.

So it's how much of a premium can a brand command and from that perspective, how much of royalty percentage would be there. So it stays in that realm and hence, at the end of the day, the impact here and there now if I say that 1% or 2% impact will be there but economics of scale will come so with that you can meet 1% or 2% then again you will increase price by 2%. So, net-net we aim that even with this continued growth, I would want to sustain my margins.

Kamlesh Bagmar: Secondly on your like say outlet distribution. So like if I see MP, it's around seven stores, while in a big market like Maharashtra, it's a similar number. And in Delhi, it's just a one store. So given the huge like say outreach of these brands, which you have, like say don't you think that it need to work upon that because I don't think seven stores in MP really justifies given the brand we have?

Abhinav Kumar: No, our MP stores are also doing very well here. But yes, you're right. Delhi, we had actually two to three stores. One store we closed during COVID, which is Metropolitan Gurgaon. And then we had one mall of

India Store, which it was a franchisee store and it was sad that during COVID, we lost the franchisee itself. So he's no more. And then there's some shuffling which happened then. And after those stores itself, we took a call that all the premium malls will be directly signing rather than signing a franchising store. So yes, we are actively looking for more stores in Delhi and that entire Delhi NCR region.

In fact, I see that we have one store in Noida, which is again Delhi NCR region. But I believe that yes, that it can easily take at least we could have a 10 store presence in the Delhi NCR region easily. So to me, yes, it's a good opportunity, which lies ahead. But as I said, getting a store in a new mall is pretty easy. But an existing running mall, if you want to enter that mall, you can enter only once a churn is happening. So we'll have to sort of wait and then take more stores.

Kamlesh Bagmar: Like I'm squeezing like on this year, like online is around 44%. How do you planning out because I believe that like people would be more happier if this like say the offline moves up to like 40%, 45% because there you will have the huge brand present. For me, like I stay in Mumbai, western side, I don't see any of your store there in the entire western line, which is a huge market. So like how that will pan out because this must change like say 44% online. Like say if I go on the Amazon and search for like a Sugarush like 100 of brands would be available there?

Abhinav Kumar: See Sugarush is not a brand that we want to build Kamlesh. So I wouldn't be opening any Sugarush stores, right. But at the same time, as I said, yes, Bombay, we are now four stores if I'm not mistaken. So and we are actively looking for opening more stores. But you have to understand that we are a growing company. We are a developing nation. We're not already a developed nation where you will see 100 stores of Bagline all across. But we have 35 stores all across the country, 36 stores all across the country. So I see the mug half full rather than half empty.

I see that we have so much more potential to grow. So we are opening more stores. And, but yes, as I said earlier I don't like to take bad calls on stores, just on the pressure that we need to open a store. That's not me. Secondly, answering your this thing about e-commerce. I think e-commerce is here to stay, Kamlesh. And as a brand, as a retailer, as a retail company, whoever thinks that e-commerce is the main store. I think that's a wrong way of thinking. You have to move, as per your consumer, right? So e-commerce today, right from mail to ship strategy, kind of thing is working over there. So it's become a part of consumers life.

So hence, I have no qualms or I don't say that 44% of revenue is coming from digital. I'm happy. And my offline is also growing. I'm still happy. But that doesn't mean that I don't look down upon that channel. It's a beautiful channel. At the end of the day, you're serving a consumer.

Moderator: Thanks, Kamlesh. We'll take the next question from Agam Shah. Agam, you can go ahead, please.

Agam Shah: Congrats on a good set of numbers. might have missed your opening remarks. I don't know whether you commented on, can you comment on any new more branch or anything we are doing on that search. What about roadmap?

Abhinav Kumar: Yes, I did comment on this. It's an ongoing process, Agam. So as and when we near a completion or near this thing, I will for sure you guys will be the first ones to be here.

Agam Shah: Are we there any near .

Abhinav Kumar: I wouldn't say that we are anywhere very near. In fact, I answered saying that I didn't foresee something happening in this fiscal.

Agam Shah: Thank you. That's it from my side and all the best.

Moderator: Thanks, Agam. We'll move on to Shrikant Bandaru. Shrikant, you can unmute and ask please.

Shrikant Bandaru: Yeah, hi Abhinav. Congratulations on great performance once again.

Abhinav Kumar: Thanks Shrikant.

Shrikant Bandaru: Now to be a shareholder of Brand Concepts. I've been to the Tommy Hilfiger luggage showroom in Mumbai and I was extremely impressed with the design of the suitcases.

Abhinav Kumar: Thank you.

Shrikant Bandaru: I'm a consumer of Samsonite and Tumi and I know these are all different price points, but I'm tempted to move to Tommy Hilfiger. I mean the suitcases from a looks perspective are fantastic.

Abhinav Kumar: Wow. So that's sort of the best compliment that I've got today. In fact, that's music to my ears. If I'm able to convert a Samsonite consumer and a Tumi consumer to a Tommy, I think that gives me a lot of hype.

Shrikant Bandaru: I think the younger people, irrespective of their purchasing power might be tempted because the design is like really different and really very nice. The second thing is even your Bagline, I saw a massive billboard on Western Express Highway in Bandra with Arjun Rampal, the new campaign and it looks very nice. So congrats on that too. My question is when you decide on expanding your stores, how do you decide between Bagline versus let's say your Tommy Hilfiger, Travel Gear store because you have pros and cons with both Bagline, have economy scale, multiple brands, multiple products whereas you still have to create that brand equity and Tommy Hilfiger obviously is such a strong brand so people would just walk in. So how do you decide on this when you expand from 36 to 100 in the next few years?

Abhinav Kumar: Very good question, Shrikant. In fact, this is something that we also have a constant battle between ourselves. Where on one hand, we would want to open Bagline more and more because that's our format. It also gives us the opportunity to showcase more brands into it. But at the same time, we see that wherever we have a Tommy Hilfiger Travel Gear stores, the numbers are just astounding. And also the position of the store, obviously when it is a brand like Tommy Hilfiger, the positioning of the store that we get is better. We are able to get say a ground floor location or a first floor location, whereas we are able to beat the curve of saying that we'll be with the other luggage players. But when it comes to Bagline, of course, everybody understands it's a multi-brands stores.

So yes, there is a constant battle. And I wouldn't say that there is one single recipe through which we decide, our first priority is for Bagline because it helps us showcase all the brands, right. But at the same time, we have also now decided that whether it is today or whether it is say two, three years down the line till a foreseeable future, we would not shy away from opening mono brand stores also. So if the brand is strong enough and if we have a good proposition, we would probably open mono-brand stores also.

So earlier we had taken a call that we will now not open any mono-brand store, we will open only Bagline stores, but we've corrected on that decision and we've thought that if we are getting good brands or if the brand can handle a store, we will give it the platform. So we will open a store for that brand.

Shrikant Bandaru: Makes sense. Thanks. And my last question is, do you have an internal benchmark on the same-store sales growth for mature stores? And what would that…

Abhinav Kumar: So every month, whatever our reviews and everything we track our like-to-like and then we track our BD, business development or whatever the development would have happened. So even if I talk about a like-to-like sales growth from last quarter to this quarter, the like-to-like sales growth would be anywhere in the region of I think if I'm not mistaken, it was somewhere close to about 17% to 18% when it comes to the offline and e-commerce, of course, the growth rate was a little higher.

Shrikant Bandaru: Okay. Thank you so much and all the best.

Abhinav Kumar: Thanks, Shrikant.

Moderator: Thanks, Shrikant. Before we move to the next participant, there's a question I have on chat from Antara Bhattacharya. Sir, congratulations for an excellent performance of the company. Do you have any plans to introduce the products in defense canteen stores department? You may like to consider it as a low-cost alternative where revenue growth can come in at limited promotion costs.

So his first question is would you look at canteen stores department?

Abhinav Kumar: Yeah, so canteen stores department we had initiated our files, but as I've said it has always been it's a -- there are too many agencies and many agencies involved in everything so it's a time-taking process. So we are definitely interested in that business but as I said it is right now work under progress. The second question was?

Moderator: The second question is, I came across a report that Delsey is planning to shift its manufacturing to India. Are we in talks with them for the same? Any other premium brands that we are planning to bring into it?

Abhinav Kumar: Are we in talks with them for what, for manufacturing?

Moderator: I presume so.

Abhinav Kumar: So, I think they are also looking at setting up their own plant as well. And in that obviously, we will have no investing. And for us to be in talks with anyone for your, what do you call it? I'm getting actually a lot of separate chat questions also.

Moderator: I'm handling that Abhinav, no worries.

Abhinav Kumar: Okay. No, there are certain direct messages.

Moderator: You can ignore that for now.

Abhinav Kumar: Yeah, okay. Yeah, so it's too early to approach any brand and say that we want to do your manufacturing because we've not even set up the plant. But yes, once the plant is set, we will not shy away from probably making it for a few other brands as well. So, we'll approach it then. I hope I have been able to answer that.

Moderator: Yeah, we'll take the next question from Mann Ashar, Mann, you can unmute please.

Mann Ashar: Hello, am I audible?

Abhinav Kumar: Yes, yes.

Mann Ashar: Congratulations for a great set of number and always a pleasure to hear from you every quarter. So, can I go ahead with my questions?

Abhinav Kumar: Yes, yes, please.

Mann Ashar: Yeah. So, what I wanted to know is that the store expansion that you said 100 stores, right, in next two to three years. So, do we have any particular IRR in our mind?

Abhinav Kumar: See, wherever we make a store, we have a very stringent process of making a store, of approving a store. We call it the store approval process, where we not only look at the location, we look at the adjacencies, it's a standard retail procedure. Most of the companies, all good retail companies follow that process. Apart from that, we also make a five-year business projection and we calculate an ROI from a franchisee perspective. And we say that the franchisee needs to make at least 15% ROI from that store. So if everything, all of this passes, only then we sort of approve a store. So, yes, from the store perspective, if you look at anywhere between 15% to 18% of ROI is what we look at before we approve a store.

Mann Ashar: Okay. And if I'm correct, most of our stores are company owned and company operated, right? We say COCO model.

Abhinav Kumar: No, we have almost a 50:50 split.

Mann Ashar: Okay, so the split will be, will continue, right? If you are saying 100 stores then?

Abhinav Kumar: Yeah, if I'm saying 100 stores, I would probably till 100 stores, it might be a 50:50 but or probably it could be about 40:60. So company owned and company operated would only be in all the premium malls, the premium locations. All those would be company owned and company operated. As I said that we are now looking at expanding more into high street also into Tier 2, Tier 3 cities also. So all those expansions and those modes would be done primarily through franchising model as a model.

Mann Ashar: Okay. Sir, in quarter of one con call, there was some mention about PMS or, I don't know, it is product maintenance or some manufacturing of IFF. I couldn't find the -- what the particular system is or what the particular value chain is. Could you just share some light on it?

Abhinav Kumar: Yeah. So PMS when I had mentioned it was more of product management service. So it is more of, just say I'm regular with all the experience and everything that we have. We don't only manufacture or what this division intends to do is not only manufacture but give become a one point of solution. So if you want to, for example do so I can take license of all the brand right and we get a lot of inquiries. So the idea was that if there is a brand which has, say, 50, 60, 70 of their own stores, 100 of their own stores, they want us to take the license, but doesn't fit in our criteria.

And we want to help them in launching this entire portfolio of products. So we designed, developed, manufactured and give it to them. They could further do their own distribution. They could further put it in their own stores. So this division is intended to ideally do that. In a way, you can say other brands business more from a manufacturing perspective.

Mann Ashar: Okay. So, the capacity that we have, what I get is we also do the manufacturing of them and we also try to establish them in the marketplace, right? Is that thinking right?

Abhinav Kumar: No, we don't take the front end. So if you take this kind of a brand, we will not be taking the front end, we will be just taking the design, development and manufacturing and giving it to them.

Mann Ashar: Like of a contract manufacturing?

Abhinav Kumar: Like a contract manufacturing.

Mann Ashar: Okay, got it. So that's all from my side, but could you share some, the Tommy renewal, license renewal updates?

Abhinav Kumar: As I said that I'm just awaiting the final printed copy, the moment we sign it, I'll be putting it out.

Mann Ashar: So it is, yeah, is it a five year still perpetuity, something like that, the first time we have signed it?

Abhinav Kumar: No, no brand will give you perpetuity. We will fall under I have explained it before that we will fall under their cycle of the international body giving it to the Indian body. So we'll be falling under that cycle. So as of now this contract is going to be till 2026. And from because we've come in the midterm. From 2026 onwards, they'll follow the same cycle as the international cycle.

Mann Ashar: Okay, so the renewal license.

Moderator: Mann, we will have to restrict the questions, we are running out of time. I need to move on.

Mann Ashar: Sure, thank you. Yeah, sure.

Moderator: Sanchit, you can go ahead and ask your question, please.

Sanchit Bhandari: Yeah, so I would like to ask two questions, but before that, congratulations for the excellent results. The first question being, yeah the first question being that I saw on the income statement for quarter two that there has been a fall in the top line margin from 6.9% to 6.2%. So could you justify that?

Abhinav Kumar: I have actually answered this question earlier as well. Essentially you need to look at the margins perspective, you need to look at it pre-ESOP. So adjusted EBITDA and hence in even in the investor presentation this time, we've updated it as adjusted EBITDA and adjusted PBT margins. So you will get your answer Sanchit but our margins are intact to tell you in one line. In fact, it has grown.

Sanchit Bhandari: Okay. And the second question being is that we have done a lot of geographical expansions like we have stores in Guwahati from we have stores in Guwahati, Gujarat, Bangalore, Chandigarh, but do you not think that that would eventually increase our logistics cost and if you like focus on geographical concentration that would like reduce the logistics cost for inventory?

Abhinav Kumar: we wont be able to expand if we see the logistic cost Yes, to service one store, obviously it becomes a little difficult, but when you are present across multiple channels, so south for example, we are very strong in all Shoppers Stop, Lifestyle go up to Chennai, Madurai, everywhere, right. So logistic cost obviously will be high somewhere and low somewhere but at the end of the day India, the whole country is a playing field, so you need to figure out solutions to reach out everywhere.

Sanchit Bhandari: Okay. Thank you.

Moderator: Thanks, Sanchit. We'll take the last question from Richa Agrawal. Richa, you can unmute and ask your question please.

Richa Agrawal: Thank you for the opportunity. Abhinav my question is I think last year you had shared a vision of ₹500 crore kind of revenue in three years, around 30%. I just wanted to understand this target or this vision is based on the current brands that you have or it also includes you know the plans that you plan to acquire let's say by next year?

Abhinav Kumar: Everything put together obviously Richa, it is with the existing brands as well as the new brands, the current brands that we are rolling out all put together. So overall company we've seen a vision of reaching ₹500 crores and I think I still stand by that vision.

Richa Agrawal: Okay. And what kind of investment, if you could give us a sense of CapEx or investments that would go into your own manufacturing facility as well as setting up the number of stores that you're looking to set up?

Abhinav Kumar: See, the manufacturing setup. First phase would be anywhere between ₹25 crores to ₹30 crores, close to about ₹30 crores, which will include the working capital as well. Yes, it will include the working capital as well. So that will be the first phase of investment. And as far as the store goes, every store, our fixtures cost, even if it is a square feet store, our fixing cost is somewhere close to ₹3,500 per square foot. So, around ₹20 lakhs is something which we spend mostly on fixtures and furniture. Another ₹15 lakhs you could take as stock. And depending on the mall, whatever deposit, four months, six months deposit that we calculate, you calculate that.

So typically to open a store, it costs about ₹40 odd lakhs, between ₹40 lakhs to ₹50 lakhs is the store opening cost. Now, it depends on how many stores we're able to open or opening in COCO, that will decide the nature of that, the quantum of that CapEx.

Richa Agrawal: Okay, so let's say at a base of 500 kind of revenue, do you see the mix changing a lot or is it going to be more or less in the same range? Also, what kind of impact on margins could dominance of a particular channel, let's say it is online as of now would have on the overall margin profile?

Abhinav Kumar: Yeah, margins, most of the channels, the whole variant, the variance is minus five to plus five, that's the kind of variance maximum, which would happen. So margin structures, quite similar, yes, certain channels have much better margin structures and certain channels, but the variance as I said is only that much. Now, that is something that it'll be very hard for me to comment that exact mix but I personally feel that online will remain in the region of around 40%, 45%, 40% at least, and rest 60% would be probably offline, 55% to 60% will remain to be offline.

That is the kind of mix that we are seeing. And the idea here is that I don't want to, we don't want to say that, we are only an EBO company. In the next three years, I'll open 300 stores. So we would keep expanding in distribution also. We will keep expanding in EBOs also. We will keep expanding in large formats also. We will keep expanding in e-commerce as well. So it will always be a well-rounded sort of this thing. So hence, I don't see much shift or much changes happening either in the channel mix and hence subsequently even in your margin mix.

Richa Agrawal: Okay, but at a higher scale and with your own manufacturing, I think you said about sustaining the margin. I mean, but wouldn't, I mean at almost double the sales, shouldn't the margins be expected to go even higher like?

Abhinav Kumar: I wouldn't, see I think I have answered this before that when you're targeting a 15%, 20% kind of a growth, you cut down growth of 20% to 30%, it's a very natural growth, you don't have to take extra efforts for that but thankfully we've been growing at more than 50%. So for that a lot of things would be required right and plus you're taking new brands, margin structures in the new brands are different, so keeping all that in mind the guidance that I would want to still maintain is that we will try and maintain our margin structures rather than me commenting and saying that yeah, yeah it will improve.

Richa Agrawal: And just one last one.

Moderator: Richa, we'll have to end it here. I think that brings us to the -- hello.

Abhinav Kumar: Yeah, I think.

Moderator: I think let's end the call since we've shot over time significantly. Thank you to all the participants for joining on this call and thanks to the management for giving us a lot of their valuable time. That brings us to the end of this conference call. You may all log out. Thanks Abhinav.

Abhinav Kumar: Thanks, Vinay. Thank you everyone. Thank you everyone.