BRAND CONCEPTS

BRAND CONCEPTS LIMITED

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Date: 29th May, 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 - 400051

Symbol: BCONCEPTS

Scrip Code: 543442

Sub: Transcript of the Investor Meeting held on 26th May 2023 for Q4 & Year ended 31st March 2023.

Dear Sir/Mam,

With reference to the above captioned subject, We Brand Concepts Limited, herewith attaching the post result conference call transcript for the investor meet held on 26th May 2023 for Q4 and year ended on 31st March 2023.

You are therefore requested to take this into your records and oblige.

Link:

Thanking You,
Yours faithfully
For Brand Concepts Limited,

Swati Gupta

Digitally signed by Swati Gupta
Date: 2023.05.29 16:16:38 +05'30'

Swati Gupta
Company Secretary & Compliance Officer
Mem No. A33016

BRAND CONCEPTS LTD

Q4 & FY23

POST RESULT CONFERENCE CALL

Management Team

Abhinav Kumar – Whole Time Director & CEO

Call Coordinator

Strategy & Investor Relations Consulting

MANAGEMENT: Abhinav Kumar - Whole Time Director & CEO

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q4 and FY23 Post Earnings Conference Call of Brand Concepts Limited. Today 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, and these forward-looking statements may involve risks and uncertainties. Also, this is a reminder that this call is being recorded.

I would now request Abhinav to detail us about the performance highlights for the year that went by, the activities that happened during the year and the plans and visions for the business in the coming year. Post which we can open the floor for Q&A.

Over to you, Abhinav.

Abhinav Kumar: Thanks, Vinay. A very, very good morning to everyone and heartfelt thanks for joining the call. So, yes, I think the last year, the year gone by has been great. I'm not getting into about introduction or what we exactly do, because I think most of you guys have been following the company for a long time now. And, hence, I'll straightaway get into our performance highlights.

So, I think, last year has been extremely good for us. We've grown, I think, the year-on-year revenue has grown by almost 90% and EBITDA levels, PAT levels, PBT levels, I think, the presentation makes it clear we've grown multi-folds in most of those levels. But one thing that I would really like to sort of highlight here is that the last year has been amazing for us from one another aspect that every single channel of ours, whether it is online, whether it is offline.

And when I say an offline, that's from – right from large format stores, department stores, to our own stores to the entire dealer distribution network, we have seen amazing growth in all the channels. So it is a very, very holistic sort of a growth, which has increased our penetration in the market. It's not a one-off – an order, which would have come and suddenly the revenues seem to be going high. It is a consistent growth. So that has really helped us in sort of expanding our horizons.

In terms of profitability, I think, whatever – so both sales as well as profitability, we've been able to beat our own estimates for whatever guidance that we had given, I think, we've done far better than that. And thanks to the entire team also at Brand Concepts. We've also – last year also has been significant in terms of I had said that we'll be taking on more brands. So we signed up two new brands over there. One is United Colors of Benetton and the other is Aeropostale.

UCB for us is going to be definitely a heavyweight brand, whereas Aeropostale is a lightweight brand. So that's also a very, very good healthy addition to our kitty of brands.

In terms of supply chain, we've done a lot of work, cutting our dependence from China and going more local in terms of our sourcing developing factories over here. So that also has worked out well for us. So, I think work has happened in every department. The seeds of all of this were sown during the COVID period itself and, hence, I think post the COVID period, when the markets bounced back, we were able to capitalize on that entire opportunity.

Yes, the results are there. I think, we'll spend more time for the Q&A, because that always takes a little more time. So, I think, we'll open it for the Q&A session, Vinay?

Question-and-Answer Session

Moderator: Sure, Abhinav. Anyone who wishes to ask a question may use the option of raise hand. Swapnil, you can go ahead.

Swapnil Kabra: Sir, am I audible?

Abhinav Kumar: Yes, you are.

Swapnil Kabra: Sir, so my first question was with respect to the EBITDA margins, because we have signed two brands; one, heavyweight and, one lightweight. So can you just give some guidance with respect to these two brands? And how EBITDA margins would shape up in coming two to three years down the line?

Abhinav Kumar: In terms of our EBITDA margins or PAT margins, I have always maintained that we would be aiming for a high growth like a 30% CAGR kind of a growth even for the next three to five years. And we aim to become a Rs. 500 crore company in the next four years or so.

Whenever you go for a high growth, generally, it is seen that EBITDA margins or PAT margins take a little bit of a beating. However, the guidance that I would want to give and what we follow internally also is that we don't want to compromise on our EBITDA margins or the PAT margins. And, hence, we will sustain these levels even with this high growth. I hope I've answered your question.

Swapnil Kabra: Yes, sir. Just a follow-up on that. I guess in the previous calls, you have commented on the fact that we would be growing on quarter-on-quarter basis. So is it wrong to assume that QoQ basis growing would be a bit difficult for a company, because of the seasonality factor?

Abhinav Kumar: Yes. So I had said this in Q1, and I had meant it for the next couple of quarters. And hence, if you see from Q1 to Q2, Q2 to Q3 we did grow. But there are, obviously, seasonality definitely makes a difference. And I was asked this question in Q1 that generally VIP Safari, whom people compare us with that their Q1 is the highest and then Q2 dips. Where I had said that, no, we will keep growing in Q2 and Q3 as well. We will grow quarter-on-quarter.

But if you look at a broader horizon, at a longer horizon, seasonality will definitely play a role. Q4 has traditionally always been the weakest for most of the retail companies, right? Two, three factors for that January, February is your end of season sale. So, hence, there is an effect of the EOSS and markdowns and everything. The second is even the traditional trade, March may generally – your people avoid taking all those billings and everything. They don't want to stack up on the inventory. So seasonality will – March is a bad month for retail, so hence seasonality will always be there.

Swapnil Kabra: Sir, last question, if I may ask, with respect to the guidance, which you have given on 30% offline growth. So the same guidance we were giving since past two, three quarters. So do you think you can revise the guidance, because now that we have signed two brands; one heavyweight and one lightweight? So are we being very conservative with respect to the guidance?

Abhinav Kumar: It's always better to deliver more than you talk, no?

Swapnil Kabra: Yes, absolutely.

Abhinav Kumar: That's the reason I'm at least smiling today, because I had given a lower. I had said that we overachieved and I hope that we overachieve every year.

Swapnil Kabra: Thank you, sir. All the best for the amazing results.

Abhinav Kumar: Thank you, Swapnil.

Moderator: Thanks, Swapnil. We'll take the next question from Saptarshee.

Saptarshee Chatterjee: Yeah, thank you for the opportunity, sir. And congratulations on a great set of results. I would like to more understand on the UCB tie-up, but in terms of like how much time it took us to tie-up with UCB? And, therefore, what all things that they have checked for us? So that like it gives us as an outsider, as a confidence that it will be a continuous journey that we can tie-up with more one or two other heavyweight brands.

Abhinav Kumar: So, see, tying up with any heavyweight brand, obviously, is a long process because that's the most difficult part, right? After that, everything is a smooth walk. So it is just like arranged marriage. So all sorts of background checks happen, right, from the design capability to the marketing capability to supply chain capabilities. Then a business plan is submitted, a brand direction is submitted. It is very important that the licensor and the licensee both are aligned on what is the market positioning that you want to take for the brand?

So, for example, a brand like Benetton, and if they come back and tell us that, you know what, we want to be priced higher than Tommy in your category, it is not possible, right? It will be a lower price brand than Tommy Hilfiger, because that's the market positioning. So both them and us need to be very understanding, very clear on our positioning strategy, so all of this happens. It took us good, I think, six to eight months almost to sort of get the alignment done, contracts executed. So, yes, it takes time. Once it is done – and, hence, I say that once this is done, it generally lasts for a very long time, because you don't want to go through all of this. If it ain't broken don't mend it, so initial phases is long, but the fruits of it is seen in the long-term.

Saptarshee Chatterjee: Understood, sir, very well explained. And I would also like to understand that you have mentioned in your PPT that UCB, I think, around 250 plus stores in India. So like who would be the other players? And like is there any exclusivity in the region wise license or how does it play out actually across the players?

Abhinav Kumar: Sure. All the contracts that we sign, we make sure that somehow or the other it's an exclusive contract. So it will be very, very similar like

Tommy, for all the three categories: Small Leather Goods; Women Handbags; and Travel Gear. Whatever you will see wherever in entire India, whether it is Shoppers Stop, whether it is Lifestyle, whether it is Myntra, whether it is Amazon, or whether it is Sadar Bazaar in Delhi, if it is not a fake, it will be through us, whether it is their own stores. So, we are the exclusive partners.

Saptarshee Chatterjee: Sorry, exclusive for like the regions you will operate or like how exclusivity – or is it like exclusivity to any some online platforms, how is that exclusivity plays out?

Abhinav Kumar: Yeah, exclusivity for entire India, all channels.

Saptarshee Chatterjee: The stores that they would operate except from us, is their own stores like themselves would operate. There will not be any other players like us.

Abhinav Kumar: No I didn't get that.

Saptarshee Chatterjee: My question is basically like Brand Concepts is one very formidable player, who has tied up with this kind of brands. And, therefore, in future we will be having maybe stores exclusive to UCB also. Possibly or maybe we'll have UCB products in our backline stores. My question is that, is there any other player in India who also has tied up with UCB so that they can also retail and sell the products of UCB? And is that therefore region wise exclusivity?

Abhinav Kumar: Okay. So, I think, Saptarshee, I'll just take a minute and explain the process of licensing once more. Then we'll be a little more clear. See, we operate in three categories: Travel Gear; Small Leather Goods; and Women Handbags; which in general is known as travel bags and accessories category. Okay? Now, for these categories we take a license of a brand. When I say license, it is not only distribution. We design, develop, manufacture and retail. We control end-to-end, start-to-finish, the entire value chain. Okay? Whatever revenue that we generate, there is a certain royalty which goes to the brand on the sales that we do. There is a certain percentage of royalty, which goes to the brand for using their brand name, right?

So for our product categories, we are the exclusive licensee. So whether it is UCB store, even if that store is selling belt, wallet tomorrow, they'll be sourcing it through us. If they're selling a backpack, or a luggage, or a lady's women's handbag, they'll be sourcing it through us. We are free to open a UCB Travel Gear exclusive store also. We will not be opening UCB apparel stores, we are not into apparel. So we are a very similar company, like, how an Arvind or an ABFRL is. They are into apparel; we are into bags and accessories. We are exactly like Titan. So, Titan Industries has its watch store, right? Titan Industries also has licensed brand. So Tommy Hilfiger is a licensee – so Titan is a licensee for Tommy Hilfiger watches, right?

Now, I hope you understand the whole.

Saptarshee Chatterjee: Yeah, I understand very well.

Abhinav Kumar: UCB has other licenses also. Timex has the license for watches.

Saptarshee Chatterjee: Okay, last question, and then I'll fall back in the queue. Is that if you can give the store economics for your existing 30 stores, so like what would be average sales per store and therefore expenses, and therefore what could be payback period for store?

Abhinav Kumar: See, we are hitting in the Metros. If you see in the metros, we are hitting an SSPD of almost between 85 to 90 SSPD, meaning, sales per square foot per day. We hit in certain cases, we hit more than 100 also. But on an average we hit about 85, 88 key SSPD, which is considered a very, very healthy SSPD. So you can imagine 85 into 30. So you'd be doing about Rs. 2,600, Rs. 2,700 per square foot per month, right? So, if it is a 500 square feet store with Rs. 2,500, Rs. 2,600, Rs. 2,700, this thing. It will roughly translate to about Rs. 13 lakh to Rs. 15 lakh rupees of sales per month from a Tier 1 metro kind of a city. And in the Tier 2, we hit about between 65% to 70% of these numbers. That's the rough estimate of our sales. What we are able to achieve.

Saptarshee Chatterjee: What should be the OpEx and CapEx for the store?

Abhinav Kumar: So roughly how it translates is, it will be different for a franchisee store versus company-owned store, but any store at the retail value, we make about between 10% to 15% roughly of contribution. So your best stores can go up to a 20%, 25% kind of a contribution as well. So if you're doing Rs. 1 crore rupees of sales, your best toes could land up, giving you Rs. 20 lakh rupees of contribution. And the Tier 2 kind of stores would give you about, say, a 10%, 12% kind of a contribution.

Saptarshee Chatterjee: Understood. And that CapEx level, what would be the average CapEx and [what would be the difference?]

Abhinav Kumar: Also we keep our CapEx quite low. So for a franchisee to open our store 40 to 50 lakh of investment is enough to for a new store now we are increasing the store size, considering that we are getting more brands. So, hence, we are increasing the store size. Thankfully, we are also now in the list of – so all the top malls, when it comes to the bags and the premium bags multi brand category. We are now a default partner with them in all their new projects.

So we are getting more and more premium retail counters for us. And hence the CapEx also is increasing a little bit. But from Rs. 30 lakh, Rs. 40 lakh, it would have gone to Rs. 40 lakh to Rs. 50 lakh for a store. And when I say Rs. 40 lakh to Rs. 50 lakh for a store, for a franchisee, it not only includes CapEx, it includes CapEx, it includes your, what do you call it, the stock investment. It includes the rent deposit that you have to pay to the mall. So that's the total investment, which goes to the store. And, hence, a franchisee is easily able to make anywhere between 15% to 20% kind of an ROI. If you ask about capex So we do about – it roughly translates to about Rs, 3,000 per square foot.

Saptarshee Chatterjee: Understood, sir. Very helpful. And I'll hop back in the queue. Thank you so much.

Moderator: Thanks, Saptarshee. We'll take the next question from Ankur. Ankur, you can unmute and ask your question.

Ankur: Yeah. Hello. Thank you for taking my questions.

Abhinav Kumar: Yes.

Ankur: First question is on the product mix. Can you please explain our bag is what percentage, Travel Gear is what percentage, and other things are what percentage?

Abhinav Kumar: Right. So if you see this year, our percentages have been so Small Leather Goods continues to be our largest sort of portfolio and it contributed to almost about 51%, 52% of our overall sales, whereas Travel Gear has contributed to roughly about 46% kind of sales mix. And the rest is your Women Handbags and everything.

Ankur: Got it. And, sir, then on margin side...

Abhinav Kumar: Sorry. There is also because if you see Women Handbags till today we don't have – so we just have our own private label which is Sugarush. We don't have a brand, we used to have and in Global Desi, which we let go two years back. So with UCB handbags and all coming now, this segment is going to – the percentage contribution is going to increase, yes.

Ankur: Got it. And second question is on the margin side. So if I look at QoQ, there is a drop of margin. But if I look at Safari as well as VIP, both had margin expansion and they're saying that raw material cost has come down, so margin has improved. But it hasn't happened in our case. So can you explain that, please?

Abhinav Kumar: If you see our gross margins, our GP percentage has actually gone up, right? But see how we calculate, Ankur, in our listing is we calculate something known as a contribution, right, which is after your variable expenses, which are royalty and selling distribution for us, after those expenses we calculate something known as a contribution, so if you'll see our gross margins, our gross profitability is higher, but our contribution has gone down a little bit. The selling distribution expenses have increased also because of our own marketplace activities have started to increase.

We have seen a very, very healthy growth in our marketplace activities and, hence, the selling distribution expenses have gone up little bit, because in the marketplace activities you are dispatching goods in each is to all your various customers online rather than in truckloads and, hence, there is a slight increase on that perspective.

But, now, if I have to say that for example, if we make somewhere around – for example, somewhere around a 25%, 30% kind of a contribution, right. After the contribution you have your fixed OpEx and you come down to your EBITDA levels. So if the sales is down by, say, Rs. 3 crores, Rs. 4 crores, you would have lost almost Rs. 1 crore approximately in terms of contribution, your fixed OpEx being the same. And, hence, you see a slight impact on the EBITDA margins.

But otherwise from a gross margin perspective, yes, we have an increase in the gross margins.

Ankur: Got it. And on the next question is on the two brands that we have added, what is our expectation in terms of revenue for this year from those two brands?

Abhinav Kumar: See the brand launches, we are assuming that we will see the brand launches happening basically in Q3, right? And, hence, they'll have a revenue impact of about five to six months. We're expecting that we'll be able to launch it before Diwali. Anything before than that is a healthy welcome. But, yes, we will start seeing sales impact from Q3. So let me put it in this way that we expect that the current business in itself will grow by say 20% and 10% – 20%, 22%, the rest 8% further is going to come from these two brands.

Ankur: Got it. And, sir, as in you also discussed about it earlier, we are in this range Rs. 40 crore to Rs. 45 crore revenue for last three quarters. So can we expect material jump from the Q1, because Q1 is generally a strong quarter, if I look at VIP and Safari?

Abhinav Kumar: Yes. So I can safely say that April has been a good month for us. May is also going strong. So let's see, I'll not be able to probably comment on the quarter figures, but yes, as I said that we are very, very confident of delivering more than 30% kind of a growth this year, which we should be able to achieve.

Ankur: Got it. Thank you and all the best.

Abhinav Kumar: Thanks, Ankur.

Moderator: Thanks, Ankur. We'll take the next question from Rizwan. Riswan, you can unmute.

Rizwan Patni: Hi. Good morning, Abhinav. How are you? And really thanks to you and the team for having such good numbers and executing it so in a very wow way. Thanks to you the team on the ground as well. Abhinav, my first question is on the brands, the UCB and Aeropostale to understand what is basically as I remember, we have taken this license agreement few months back, UCB in the last quarter and Aeropostale before that. So as the revenue are going to come in Q3, so what's the cycle after the agreement alignment? What's the cycle? Just to understand and how it goes here? So we have an understanding in future also for the brands which are coming in.

Abhinav Kumar: So whenever you sign a brand, see all the work, we start the work on the product development only post the agreement is signed, right, because it involves a lot of resources, efforts in developing the entire product. So, hence, we wait till the time we've signed the agreement. So once the formal agreement is signed, we start the product development. Typically, if you will see, you take about 45 to 60 days, or at least roughly 45 days, 1.5 months for the design deck to be ready for the first launch. It's shown to the brand. They discuss approval, non-approvals, all of that happens.

Then we get into sampling, because it is the first time that you're making the samples. Every small little thing, there'll be a mold opening. So to make one logo a mold is opened So this typically takes a little longer for the first time. And then once the samples are approved, then you get into production. So net-net, if you will see, this is a seven to nine month kind of a process ideally. Before, once you sign and from there to products hitting the retail shelf, it's about seven to nine months, depending on how the entire progression has gone.

Rizwan Patni: So, currently will the UCB or the Aeropostale brands hit the stores earlier, which one is on a better stage than the other?

Abhinav Kumar: So UCB, I think, no. I think, Aeropostale would be the first one to hit. And see, as I said, by now, I think it would have been evident. I always – I don't go boasting about a lot of things, but hopefully Aeropostale we'll start seeing some effect in Q2 itself. But I still have my fingers crossed, till the time we see the final peak production sample, if everything is fine, gone ahead. So we've already proceeded with certain orders in Aeropostale and we'll start seeing something hopefully in Q2 itself, so Aeropostale will hit first and then followed by UCB.

Rizwan Patni: Any other new brands coming during the calendar year or the fiscal year?

Abhinav Kumar: It is my wish list, Rizwan, that I sign at least two more brands within this financial year.

Rizwan Patni: Okay. Another one, we were looking for store expansions in the next two, three years, and as I remember it is around 15 to 18 stores this year, if I remember it correctly?

Abhinav Kumar: Yes. Yes. Ideally, I would like to hit the 50 store mark by the end of this year. But still we have taken a guidance of about 15 to 18 stores by March end, or the investor presentation is containing 30 stores. As we speak, we are already 33 stores. We have opened three stores within the past 1.5 months. So we are opening stores. So, hopefully, we'll be anywhere between 45 to 50 stores by the end of this year.

Rizwan Patni: Okay. Another question, Abhinav, is regarding as we are expanding, we are bringing in the new brands. So isn't it that our efficiency will improve so the EBITDA and PAT should improve other than being at the same level, because we will be utilizing our, let's say, all the resources; the store resources, the staff resources and et cetera?

Abhinav Kumar: See, by now I think whoever has been tracking the company or interacting with me, by now you would have understood that we have a very, very strong financial management system in place, right. And for me, the bottom line in fact I should say, I tell my team also that the formula for profit for me, profit is equal to cash surplus. So we are very, very financially prudent.

If you will see our data management, the cycle management has gone far better, right, even vis-à-vis the competition or if you track the competition when they were at our size they were not even breaking even. They were probably making losses or just about breaking even, whereas we developed delivering more than 6% of PAT, right. There is some effect of DTL, DTA also which is impacted. So if you talk about more from the PBT perspective, yes, we are or EBITDA perspective we are delivering about 13% of EBITDA, right.

With the high growth we'll be expanding into a lot of sectors, we'll be putting in a lot of – this year we've allocated a good amount of budget towards marketing. We are looking at signing a few probably for Bagline, our e-commerce platform also and our stores also. If you're looking at putting some money behind those activities, looking at celebrity tie-ups, all of that right, which will fuel this entire growth. Also, when you sign up a new brand initially for two to three seasons, it takes a little time for that brand to settle down.

So considering all of this chasing a high growth and I would want to beat my own guidance of 30%. So considering all of this, my guidance would be that I will do all of this still keeping the financials intact, the health intact, we've gone very, very strong. If I talk about from debtors of 108 days last year, now we are at 61 days stock, while the stock levels have in terms of actual cost, if you will see, it has increased, obviously to fuel the demand. But from number of days, if you will see, from 176, we've come down to 132. Our creditors from 110 days, actually we've reduced them to 67 days. So, hence, our suppliers are very, very happy working with us.

Our current ratios improved from we are at a 1.39 kind of a current ratio. Debt equity ratio is 0.9. Working capital rotation is 3.86, right.

So we have a very keen eye on our bottom line on our financials. So, hence, we will not compromise on that. But, yes, as a guidance, I would like to give that we will maintain these levels going forward.

Rizwan Patni: If I may ask one more question regarding the stores opening, as we discussed during the last calls, that there would be some, say, funding required to finance this, it will be internal and some through QIP. So is there any thought process now or development on this from your side?

Abhinav Kumar: See, yes, I had mentioned that and it is still in contemplation, but as I said, that very, very prudent with any money that we take and spend here. So if there is no need of money If we are able to generate on our own, why to raise So we are still contemplating depending on, yes, there will be certain investments this year, which will be towards manufacturing. So we are getting into manufacturing. We are getting into a hard luggage manufacturing facility of our own. We've got the land allocated already. We are in the process of talking to various equipment suppliers in negotiations of that, creating the factory layout and everything. So that would be definitely an investment.

And, hence, considering all of this once and it will be pretty soon in the next week or 10 days, I think we should have our final answer. And according to that, if we require, we will be going ahead with raising certain amount.

Rizwan Patni: So this gives one more question. Please allow me to continue with this question. If we have this overseas as the same promoter, so are we not thinking to utilize this as a merger, and instead of going for plant development or factory development?

Abhinav Kumar: We are looking at merging both the companies. The final decision has also come and the decision is that we would merge both the companies. So we would be starting the process pretty soon. But you will not see any impact in this year, because the effective merger date would be 1st of April 2024, because it will take that much of time. And only because of this merger and getting the entire know how of manufacturing or the entire team of manufacturing in house is when we've been able to take this decision of moving ahead with a hard luggage manufacturing plant. So all of this would come under that team, we already have a very experienced team which handles manufacturing. Yes, so the plans for mergers is on.

Rizwan Patni: Great. Thank you so much, Abhinav. And, again, pleasure speaking with you.

Abhinav Kumar: Thank you, Rizwan.

Moderator: Thanks, Rizwan. We'll take the next question from Jatinder Agarwal.

Jatinder Agarwal: Hi, good afternoon.

Abhinav Kumar: Good afternoon.

Jatinder Agarwal: I have only a few questions and they are all related to the industry actually, right. So we understand that the Travel Gear market is about Rs. 10,000 odd crores, right?

Abhinav Kumar: No, sir.

Jatinder Agarwal: Sorry?

Abhinav Kumar: It’s much higher.

Jatinder Agarwal: Exactly. So the question that I have for you is so you have three brands today, Tommy Hilfiger, UCB and Aeropostale. What is the size of the market that you're catering for each of these brands?

Abhinav Kumar: So if I see all the three categories that we are available in, which is Travel Gear, Small Leather Goods and Women Handbags, which again as I said, is known as the travel bags and accessories market. Pre-COVID, according to a Euromonitor report, it was somewhere around close to Rs. 24,000 crores. There was a recent Economic Times report, which pegged this market to somewhere close to Rs. 50,000 crores, right. Now, we'll have to check the latest Euromonitor to see what the market size exactly is. It's a huge market.

So the point being whether it is Rs. 25,000 crores or whether it is Rs. 50,000 crores, it is a huge, huge market. Now, the beauty of this is that the organized market is about Rs. 5,000 crores to Rs. 6,000 crores, right. Rest everything is unorganized. What it speaks is the potential of this market for the next 15 years also is going to be amazing, right. Because you can't have such a large unorganized, it has to – everything will eventually start getting more organized. Correct?

So catering to that kind of a market from individual brands perspective also, if you talk about whether even if it will be a luxury segment which is top of the pyramid. So LV does a business of some Rs. 400 crores in India from four stores. So there's no dearth of market size, it's just that how soon well the market gets more and more organized, more retail doors open, more malls open, yeah.

Jatinder Agarwal: No, my question is exactly, so if the organized – at least the Travel Gear is Rs. 5,000 crores, Rs. 6,000 crores, which is the total organized market, right? And obviously you are competing in this organized segment, right, with all these three brands.

Abhinav Kumar: Yes.

Jatinder Agarwal: So TH, in this Rs. 5,000 crores, Rs. 6,000 crores of Travel Gear is positioned in which is it in this Rs. 500 crores, Rs. 600 crores market or is it like Rs. 1,000 crore market where TH can look to gain market share?

Abhinav Kumar: No, TH would be in that – sorry, so now I get your question. So very good question. Yes. So TH would be in that Rs. 500 crore, Rs. 700 crore market.

Jatinder Agarwal: Okay, perfect.

Abhinav Kumar: UCB would be in that larger pie, which is at least, I think, Rs. 2,000 crores, Rs. 2,500 crores, which is the mass medium category.

Jatinder Agarwal: Medium category, okay.

Abhinav Kumar: Yeah. And the mass is another – so Rs, 3,000 crores more than 50% is mass, where right now we don't have a brand offering.

Jatinder Agarwal: So Aeropostale and UCB will be positioned in this Rs. 2,000 crores, Rs. 2,500 crores?

Abhinav Kumar: Yes.

Jatinder Agarwal: Perfect. And my second question is, again, very similar to this question in the Small Leather Goods segment. Perfect. So can we have the same breakup for TH and UCB, Aeropostale?

Abhinav Kumar: Yes, sadly, Jatinder, for Small Leather Goods, there is no such syndicated study. So I can comment more from an overall market perspective, because, see, leather industry in India is huge, right? But it also captures manufacturing, which is the biggest segment, lot of exports happen. So there's no syndicated study to say – and, generally they club it with the handbags, so it becomes bags and accessories.

But if you see Tommy Hilfiger in terms of Small Leather Goods, we are market leaders in all the channels that we operate in. So whether it is Shoppers Stop, whether it is Lifestyle, we are the number one brand. And we are positioned as a premium brand, right? So there we are as it is market leaders.

The second level is your mass premium where you have players like Titan has entered into that segment. Louis Philippe is obviously into that segment. A lot of these brands are there into that segment. And, hence, UCB comes more at that price point, that price segment. So, again, I would say the overall market size is again very, very big, but if I have to say about organize. I think it would be – I wouldn't want to actually, say, because syndicated studying, so commenting on the exact figure, whether it is Rs. 500 crores, whether it is Rs. 1,000 crores. It’s a little difficult.

Jatinder Agarwal: Okay. Perfect. And so my next question is actually related to what are your thoughts in terms of exactly the numbers in terms of like Rs. 100 crore-revenue in four years. But in terms of the business strategy, how do we see this business, say, three years, five years down the line?

Abhinav Kumar: See, from a business strategy point of view, if you will see generally I like to say this that we are very much like Titan Industries. And the reason I say this is because till late 1990s, watches was just a timekeeping device. I think I've mentioned this example time and, again, it was just a timekeeping device. And the son used to get a worn HMT from his dad that used to be watches, right? And then Titan enters, brings in new brands, goes ahead, brings in certain international brands, takes licenses, opens multi-brand outlets, and watches becomes a fashion accessory rather than just a timekeeping device.

And similar is what I expect our industry, these bags and accessories market to become. It cannot be a play of just two or three brands. There'll be multiple brands. If you see west, we go to the U.S., you go to Europe at every price point. Even in Travel Gear, you will have lot of brands, lot of fashion brands doing luggage, Travel Gear. People want to – We Indians, we are getting more and more fashion conscious. We want to the aspiration levels in the country are rising, income levels are rising. We're talking about an $8 trillion economy. All of this is going to give more money in the hands of consumers. So, if I may ask you, Jatinder, what's your age?

Jatinder Agarwal: I'm like 48.

Abhinav Kumar: All right. So probably you would have already seen the life you've made a lot of money and everything. But if you ask your son if he's travelling, if he is going abroad, for example, for studies and if you ask your son that what bag would you want to buy? You're getting a Tommy Hilfiger for Rs. 10,000 and you're getting a VIP or an American Tourist for Rs. 7,000. What will his choice be?

Jatinder Agarwal: Got it.

Abhinav Kumar: You know, sir, you now break it down even to the masses, to the student category. The guy has to carry a backpack to his college, to his school. Would he want to carry a traditional old luggage brand or would he want to carry a fashion brand, right? He would want to carry a fashion brand or a sports brand. He'll carry a Nike. He'll carry Adidas or [Technical Difficulty] Yeah, the price point is very different. You get your regular this thing for $1,000 $1,200, Tommy, you will get it for some $3,000. So the switch is very difficult. But with the Benetton, the switch becomes easy. So we will continue to grow. We will become a house of brands and we will continue to operate in the fashion space even five years down the line. So from Rs. 500 crores, we'll be looking at Rs. 2,000 crore. But the premise will not change.

Jatinder Agarwal: Perfect. And my last question is more related to, again, the thought process behind building the business, right? So what we understand from companies that are standalone into Travel Gear and luggage is that that the USB is both handling the brand and the manufacturing, right? So you control the full value chain and eventually that works very well. Would you differ from that over a period of time? Would you then look to launch your own brands and make it really material or just stay with outsourced brands?

Abhinav Kumar: We will launch our own brand as well. And I've said this earlier also that I feel there is – but the own brand also does not only come from – if a company thinks that, oh, you know what we need to have our own brand, that's not the right strategy. For the namesake of coming with our own brand, we want to launch the brand, no. If there is a gap that we are able to identify in the market that, yes, there is a gap where this brand can sit or we can cater to this gap in the consumers, for the consumers with a particular brand offering, why not? We would want to do that.

But as I said, it's not that we are – I've always said that we are always going to be a house of brands. We'll have our focus always on licensing. We will have multiple brands. We will not be a single brand player. And another aspect that I love to experiment, but I will never bet my shirt on over an experiment, right. So we are financially very, very prudent and, hence, burning and building a brand is something that just doesn't...

Jatinder Agarwal: Philosophically.

Abhinav Kumar: Yeah, philosophically, I never believed in that that you burn and build. So we're not in that game.

Jatinder Agarwal: Perfect. I think that is very helpful. Thank you. Thanks a lot.

Abhinav Kumar: Thanks, Jatinder.

Moderator: Thanks, Jatinder. We'll take the next question from Krishna. Krishna Bahirwani, you can unmute and ask your question.

Krishna Bahirwani: Hi, Abhinav. So I wanted to get a sense on what your sourcing is going to be like both next financial year and the financial year after that. You had spoken last time a little bit about getting into the hard luggage manufacturing. Now, you've spoken a little bit about the merger. You had also spoken about reducing your dependency on China, bringing it down somewhere close to 5% to 10%. So I wanted to understand how the sourcing is going to look going forward?

Abhinav Kumar: Yeah, if you will see, we are on the same path as I had mentioned earlier. We continue to work with certain Indian suppliers very, very closely for developing the local strength, so that our dependence from China is comes down. However, yes, China still is there. I had spoken about that. Yes, we are contemplating about our own manufacturing. And today I've confirmed that, yes, we are going ahead. We have the land allocated. We are going ahead and setting up the hard luggage manufacturing. We are merging the company.

So, I think, we are in line on what I've been saying. And, hopefully, we've seen a lot of changes also happening in India when it comes to luggage and Travel Gear manufacturing. Lot of component manufacturing is getting set up, and it feels very good to see that we are coming of it. Nashik has developed as a proper hub in all of this. So now the wheels, trolleys, everything is getting developed in India. And, hence, this is the right time to sort of enter into the manufacturing, because manufacturing entails two broad things; one is obviously the know-how and how you make the bags.

But more importantly, in making a bag, unlike a shirt where the components are less. In a bag, there are multiple components, one bag includes 36 components, right, from trolley to zippers to pullers to rivets to this, to that. And India was a little weak when it came to component manufacturing. And, hence, a lot of people were dependent on importing the components. But Touchwood, now we're seeing a very healthy change over there. And, hence, it's the right time for us to enter this.

Krishna Bahirwani: I also wanted to understand from this going into manufacturing, which area do you feel like this is going to benefit us the most? Is this going to benefit us more in terms of quality control? Is it going to benefit us more in design and product differentiation or supply chain security or costing or a mix of all of them?

Abhinav Kumar: Actually all four of them. For sure, bringing it in-house once the plant is completely running up and well it is going to give a boost to our EBITDA margins, because the margins that you are leaving with the third-party manufacturer, obviously you're capturing those margins. So it's going to bring goodness in terms of margins. It gives us a leeway to designs, to development differentiating the product we'll be able to control. So no matter how many NDAs you sign with various different factories, with fashion brands.So coming from our own – once we start having our own, this thing is going to benefit over there in product differentiation and, of course, our quality control is going to get better right from the process of inline to pre-production, to post-production, everything.

So, in fact, this is a year where we are also setting up a new department in our organization, which is known as the quality assurance department. So while we already had quality control, but now we're taking it one step further and we're creating like a quality assurance department where, again, as I said, from end-to-end. So from raw material to production, to post-production QC, to customer service, all of this entire thing will come under this one department, which is a quality assurance department.

We've started international warranty on our bags. You might ask that, how can you give international warranty if you don't have stores internationally? We figured out a very, very simple way, so if your bag is broken for whatever reasons you won’t keep searching for a store So we have come up with a very simple QR code based quality, international warranty. You just scan the QR code on the bag, it'll take you to the quality assurance page, and we immediately – you just upload the picture of your broken bag, and we credit you $100 immediately. Please go ahead, find whatever next store that you see, buy a bag, give us the bill, we'll reimburse that to you up to $100. So you have a very stress free travel. So these are certain aspects which – a lot of these small little aspects is what differentiates a brand from a basic product.

So we're working on all levels, right, from improving the product quality to giving a quality assurance also to our consumers.

Krishna Bahirwani: That's amazing. I'm really, really glad to hear and looking forward to one by one replacing all my pieces of luggage with Tommy luggage. I also wanted to ask you about brand positioning, because you've done a good job of explaining it in the presentation about how these brands are normally positioned. But I also want to understand in the mind of the consumer, who may know these three are brands, but they may not know that Tommy is a much higher brand. They may figure that out looking at the price. But how are you communicating this to the customer?

And second, when you target brands going forward, you said you're targeting two brands this financial year. What segment of the market are they going to be in? Are they going to be with Tommy, or are they going to be closer to UCB and Benetton?

Abhinav Kumar: Okay, so answering your first question, see, somebody who is not aware about Tommy Hilfiger's positioning, to be honest, no offense to that person, but he's probably not my target audience. See, fashion, I keep saying this always, it's a one way street, Krishna. So if you wear Peter England, when your income will grow, you'll move to a Louis Philippe and Allen Solly. From Allen Solly, you'll go to a Louis Philippe. From Louis Philippe, you'll move to a Tommy Hilfiger. From Tommy, you'll move to a HUGO BOSS. Until unless you've really done so bad of spoiling your entire wealth, you will never go back, right. It's the aspirations which keep rising.

So, today, people who aspire to wear a Tommy Hilfiger are the people who are my target audience. Now, a person who is a Peter England guy, I'm sorry to say this, but the brand is an exclusive brand, it's not an inclusive brand, right. So, hence, that person is not my target audience, right. When it comes to a brand like Benetton, these brands are more inclusive brands rather than being exclusive brand. So Benetton price point will always be a more affordable price point. So I hope I've answered your first question.

Now, moving on to the second question on the two brands – sorry, so you had also asked about communication. So communication, again, will go synonymous with the brand positioning and the brand strategy. So for Tommy Hilfiger kind of a brand, you don't need to paint the town red, right. These brands thrive on exclusivity. So we would be taking some celebrity route this year. But, again, will we come up with a full blown TV campaign? No, we will not, right. The brand doesn't require that. So it will be more digital medium, yes. With a brand like Benetton, yes, we have the opportunity of going all out.

But at the same time, we are a licensing company, we are not here or I'm not here to build Tommy Hilfiger as a brand or build Benetton as a brand. Hello, why am I paying you royalty for? Your brand is already built, right. I need to build you in my categories. So my marketing spend will never be the tune of that I am spending 8-10% of my revenue on marketing will never be that, right. So I hope I have answered your question.

On the brand that we want to take, I really want to take one brand in the bridge to luxury segment. Whether we get it or not is another question. But I would love to have a brand in the bridge to luxury segment, which goes a little higher than Tommy. Why? Because volumes might not be initially very great, but I think India is now the right time, we poised for the bridge to luxury and the luxury segment exploding in the next five years. So I want to be on that wave now.

Five years back, if somebody would have asked me, I would have said that, no, I'm not going to touch that. I'm going to stop at premium. But now I can say this with utmost confidence that India is now ready for these brands. And, hence, I would love to have one brand in that bridge to luxury segment.

The second brand, again, would be in that mass premium kind of a space which we would want. It will just have a little different design sensibility, a little different pricing sensibility. It will be one notch further. What I would want is that it has to be one notch lower than UCB as well in terms of price points, not in terms of brand perseverance, but from the price point perspective, one notch lower than UCB.

Krishna Bahirwani: Great. Thank you so much.

Moderator: Thanks, Krishna. We'll take the next question from Rupesh. Rupesh, you can unmute and ask your questions.

Rupesh Tatiya: Hello, sir, thank you. Thank you for the opportunity, and congratulations on fantastic set of numbers. You can hear me, right?

Abhinav Kumar: Yes, absolutely.

Rupesh Tatiya: Yeah. So I'm going to pick up on I'm going to continue the last participant's question. So can you give me what were the ads spends in FY23? And maybe if you can split that into how much were on the licensed brands and how much was on the own brands?

Abhinav Kumar: So own brand, I don't think there was hardly any spend tags and some POSM, tags it would hardly be anything. In terms of total marketing, we spent about Rs. 3 odd crores, Rs. 3.13 crores to be precise on marketing.

Rupesh Tatiya: And like you said, right, I mean, TH is already a brand, UCB is already a brand. So this number, can I expect it to remain in this kind of range, 1%, 2% kind of range?

Abhinav Kumar: Yeah. Right now it is about 2% odd. You can expect that we will put in some more money in terms of marketing going forward. But it's still going to remain under 5%.

Rupesh Tatiya: I mean 5% seems like a large number, right? When you are licensing the well established brands, can you please explain that?

Abhinav Kumar: So we are looking at putting in some bit of money towards Bagline, right, which is our own store format. And now Bagline is a multi-brand outlet. Incidentally, it will carry all of our brands. So it will be a dual prong strategy, where you advertise or you put in money on Bagline. And in Bagline, we don't have a brand by Bagline, right. So what are we going to advertise in Bagline? We're going to advertise or we're going to market all of our brands in Bagline. So, hence, that's where we're going to be deploying some funds for marketing. But even for next year, if I say maximum, I said that you can take it that will be under 5%. But next year also, our budget is going to be between 3% to 4%, not more than that.

Rupesh Tatiya: Okay. And sir, can you indicate what would be the royalty we paid in FY23?

Abhinav Kumar: See, I've been under contract or an NDA, which is signed with all these brands. I'll not be able to give you the exact percentages of various brands, but in terms of the entire license fee that we had paid for the entire year, it was close to about Rs. 16 crores, Rs. 17 crores.

Rupesh Tatiya: Okay. Rs. 16 crore, Rs. 17 crore. Okay. And can you maybe split your sales between licensed brand and your brands?

Abhinav Kumar: Sir, Tommy contributed to about 80% to 83% of our overall sales.

Rupesh Tatiya: Okay. I see. And this Tommy Hilfiger...

Abhinav Kumar: And some further sales would have come from the discontinued brand like AND, Global desi Now, I don't think we are left with any further stocks of that. So that would amount to be about another 2%, 3%, 4%.

Rupesh Tatiya: Okay. Tommy Hilfiger renewal, I think deadline is December 2023. So can you just maybe talk about where we are in that process?

Abhinav Kumar: We've closed all the negotiations and we've already received the contract.

Rupesh Tatiya: Perfect.

Abhinav Kumar: Yeah.

Rupesh Tatiya: Okay. Is there a significant change in royalty rates or is it similar to the past?

Abhinav Kumar: Let me say similar to the past, won't be able to comment too much onto it. I think a lot of you guys went to Arvind, because think similar calls. And then I got a call here, why are you divulging all the numbers? And I said, okay. But, yes, as I had mentioned earlier also, our partnership is strong. We've always been an integral part of their strategy and it continues to show. So the draft agreement is already with us. Hopefully pretty soon, once I sign, you will see the notification on the exchange.

Rupesh Tatiya: Okay, I see. And so then now coming to two channels, so first is online. So what are our margins in, let's say, online versus offline?

That is question number one. And if you can also give split between Myntra and Amazon, and maybe other players.

Abhinav Kumar: So margins, obviously, in terms of the e-commerce business, the margins are slightly better. So I would say, again, I'll take the example of that contribution grid So almost the difference between online and offline would be in terms of – it would be close to about 4% in terms of contribution, where the contribution percentage is slightly better online. Channel wise sales we've already sort of given in the entire investor presentation.

But to answer your question on Myntra, yes, Myntra continues to be our largest partner. They are almost close to 40% of our online business, between 35% to 40% of our online business. And we continue to focus more on Myntra, primarily for the reason that they are the number one fashion platform in the country versus Amazon and Flipkart, which are more horizontal platforms. We have now seen a very, very good traction coming on even TATA CLiQ Luxury, TATA CLiQ, for that matter. Amazon also has been growing very steadily for us. So I hope I've answered your questions.

Rupesh Tatiya: Okay. Yeah, sir, definitely. So, I mean, I don't understand e-commerce business all that well, but maybe can you talk about what is our penetration kind of in these channels and how that penetration can grow? Or are there some low hanging fruits, some good Tier 2 cities where probably we're not serving today that will grow some segments, maybe shipping times will reduce? I mean, I don't understand this, but in general, how is our penetration and how will that grow?

Abhinav Kumar: So e-commerce for us is so internally, we again classify it in B2B and B2C. So a B2B is where I build to a Myntra, or I build to an Amazon, and then Myntra builds it or Amazon builds it to the end consumer A B2C is operating our own marketplace. So during COVID we sowed these seeds, where we started developing our own marketplace operation. And today, I'm actually very, very happy to share this that of our overall revenue, almost 16%, 17% of our overall sales this year has come from the marketplace, which gives us a much better control over the entire product discounting and everything.

Rupesh Tatiya: Is it Bigline, sir?

Abhinav Kumar: No. So Bagline is separate. Bagline also Touchwood has started giving, throwing up good numbers. And this year, we're going to put a little thrust on our baglineindia.com as well. We've already started touching about Rs. 13 lakh, Rs. 15 lakh monthly sales. So it's equivalent to a Tier 1 of EBO, right? And Touchwood, again, we are profitable there, because we've not spent too much money on that. But not Bagline, the marketplace that I was talking about is so we have a Seller Flex of Myntra in our own warehouse. We have a Seller Flex of Amazon in our own warehouse. Flipkart all of these places. So we directly sell from these platforms from our mother warehouse, Indore, to the end consumer directly through these platforms.

Rupesh Tatiya: Okay.

Abhinav Kumar: So, A, my go to market time is very less. The moment I have a stock in my warehouse, it goes online; B, I get this customer data, right, Servicing directly to these end consumers; C, my margin intake is a little better even than B2B; D, my entire inventory goes live. So it is a much better effective utilization of the inventory. So these sales has been increasing and, hence, in one of the questions I had answered that my selling distribution costs have gone up a little bit is because of these sales. It has gone up a little bit.

But our overall margin take also on these sales are better. So this has been increasing very good for us, almost close to 30% of overall online sales, more than 30% is now coming from this. So next year, in fact, I believe that we've taken a much higher target from our own marketplace sales. And we'll see this percentage growing.

Rupesh Tatiya: But I mean, you still – can you maybe talk about penetration and any low hanging fruits? Maybe you can define penetration. Maybe I don't know how to define it.

Abhinav Kumar: So our penetration, the low hanging fruit, if you will talk about, will come from if everything goes well, Touchwood will come from something like a brand like Aeropostale. It's an online first brand. Currently, even in online we are not able to cater to a lot of lower price segments. We are not present in those lower price segments with brands.

So with UCB and Aeropostale, the moment we enter that lower price segment, today Tommy is premium. In fact, we've discontinued a few channels and big channels. I would not like to take their names, because they have done over discounting. So we've stopped supplies. Had I supplied and everything, the revenue would have been even higher. But this is where we protect the brand for a long-term. If you start milking the brand today either you will lose the license, because the licenser will say that what are you doing? You're taking my brand to the dogs? Or the brand will become a discounted brand.

So, hence, we do a lot of control. So for lower price point with these new brands coming in, we enter the lower price point segment and that should unlock a lot of value for us.

Rupesh Tatiya: Okay. But at contribution level, these lower brands will still be okay, similar to company average?

Abhinav Kumar: No, contribution from these brands will obviously be lower. They will not have a higher contribution as Tommy Hilfiger. But as I said, EBITDA margins are going to remain same, because even at a lower contribution, you don't have all the same expenses. You're not going to double up your expenses in proportion to these brand sales, right. So while the contribution or the gross margin would be lower, let's talk, from the gross margin perspective. The gross margin would be lower, but that's where I feel that EBITDA levels are going to remain more or less in the same region.

Rupesh Tatiya: Yeah, I was asking about contribution margin only, sir. I got my answer. And then, sir, one, I mean, I am looking at Slide 8 of your presentation and you have 30: 8 our stores; and 22 franchise operator stores; so 30 stores. And the sales between these two is roughly only 10%, which is Rs. 16 crore, Rs. 17 crore. That number sounds low to me. And even if you take this 30 to 50, I'm not able to understand the impact of taking that 30 to 50, so maybe if you can explain that?

Abhinav Kumar: Yeah. So if you see bulk of the stores out of 30 stores, if 8 are only company owned. It means it's less than 30% of the store. So more than 70% of the store is franchisee owned, franchisee operated, where the revenue capturing happens at my billing, which is at the wholesale. And there is a franchisee margin plus GST. So retail is slightly almost double or probably slightly higher. It's almost double of the wholesale. So if you see 10%, 12% contribution coming, so Rs. 16 crores, Rs. 18 crores of sales was So I think the franchisee stores would be doing almost Rs. 12 crores, Rs. 13 crores into two that's the retail sales.

So from 22 stores, if we are able to generate Rs. 24 crores of sales, on an average, one store is more than Rs. 1 crore, right. And these stores are such 300, 400 square feet stores. So from the SSPD perspective, if you will see they are brilliant, we would probably beat all the industry averages. So, yes, now coming from the perspective key here, how much of a difference will it make from 30 stores to 50 stores? Not much. We'll add another Rs. 20 odd crores or whatever, or Rs. 15 crores, Rs. 16 crores in our wholesale top-line, whereas the other categories will also keep start growing.

But again, as I said, I am not the one who will come and say that, oh, this year we'll open 50 stores. And then two years down the line, I'll come back and say that we are closing 20 stores out of the 50 stores that we had opened. We want to go steady, I want to take good locations, I really want to do an airport store this year, which should give us very good mileage not only in terms of visibility, but also in terms of sales. So, yes, we'll keep growing strong, but in fact, it's very good that we have a very distributed sort of wheel.

Rupesh Tatiya: Okay. Sir, but then the question comes is you are talking about 30%, 35% growth for many years, three, four, five years. I don't know if you said 20% maybe existing sales and 15% maybe will be from the newer brands. So for this 20% online piece, I sort of understand that we have this marketplace Bagline India and other places and online will grow and penetration will grow. But in this offline all these formats, right, for distribution franchise stores, large format stores. If you can give some numbers that how dealer distribution network is growing or large format store penetration is growing that I can get some confidence that 20% growth will come on the existing brands.

Abhinav Kumar: Yeah, so to be very honest, we are very under penetrated only 30 stores are – VIP had, I think, 500 stores Samsonite had at one point of time again close to 400, 500 stores. We will keep growing that whole pie or this growth is not only in EBOs but in distribution as well. So we today have about eight master distributors and, in totality, putting all the distributors in place 22 distributors. I can go up to 35, 40 distributors easily. A lot of market penetration is still pending. South is still almost a virgin territory coming to the large format stores we are a preferred partner with them. Shoppers is growing, Lifestyle is growing. Reliance has now taken up central. They are continuing to grow. So as and when they are growing, our stores with them are increasing to growth

Rupesh Tatiya: So if you could formalise this for consumptions of investor like what is the opportunity and how much we will grow in dealer distribution and how much we will grow in large format store ...that will be very helpful to track that, because that is kind of like a leading indicator. And then my final question, sir, is working capital may amazing improvement. If macro trends hold and competition doesn't go crazy. I hope this kind of working capital cycle will continue or improve upon? Is can I assume that?

Abhinav Kumar: Yes. Yes. We are very, very prudent. See, given take a few things here and there, but more or less we're going to be on this track.

Rupesh Tatiya: The improvement is quite marked, sir. That is why I'm asking if you see historical data for five years FY23 major working capital may or cash flow generation may improvement. Why that is very significant? Can I assume now that this is the baseline?

Abhinav Kumar: Don't penalize me for a good performance.

Rupesh Tatiya: Yes. Thank you.

Abhinav Kumar: We will be prudent and you will - I'm not a marvadi by cause, but I've become one. So when we...

Rupesh Tatiya: I got my answer, sir. Yeah. Thank you so much for answering all the questions, sir. And best of luck.

Abhinav Kumar: Thanks. Thanks. Thanks.

Moderator: Thanks, Rupesh. Due to restriction of time, we'll take the last question from Naysar. Naysar, you can unmute and ask your question.

Naysar Parikh: Yeah, thanks. Hi Abhinav, I hope you're doing well and your amazing journey in the last 6, 12 months. So congratulations on that. Couple of questions. One is can you just talk about the mix between segments, now you have between your Travel Gear, Small Leather and backpack women's, et cetera? And with the new brands over the next two years, how should this change?

Abhinav Kumar: So, you said – sorry, there was a little this thing in the...

Naysar Parikh: Sorry, I was asking for the mix of between segments, so between Travel Gear, Small Leather Goods.

Abhinav Kumar: The sales mix, right?

Naysar Parikh: Yeah.

Abhinav Kumar: Yeah. So, if you'll see which was SLG for us is our largest, and it has done about 46% is SLG. Let me just refer to the exact numbers. Yeah.

So about 46% is SLG, 43% is Travel Gear. And if I talk about women wallets and handbags, Women Handbags & Accessories as a category, it's about 11%.

Naysar Parikh: **[**Quarter denser], how do you see this changing, say, next year with the new brands you have, with the focus on Bagline and all that?

Abhinav Kumar: So Travel Gear is definitely going to increase, is what I feel, followed by Women Handbags, we don't have any formidable brand till now over there. And Benetton and Aeropostale in both the brands, we have taken Women Handbags as a category for us. So that is going to get a boost. We're going to see that percentage rising.

So, net-net, if you see over a long period, if you ask me, I see Travel Gear being anywhere between 40% to 50%, Small Leather Goods coming down to about almost 30%, 35%, and the balance being contributed by the Women Handbags category. That would be the mix probably going forward, three, four years down the line. That's the kind of mix that we would probably we're seeing. I hope I answered your question.

Naysar Parikh: Got it. Yes. And, sir, are you planning to get up any women focused brands only? Like is that...

Abhinav Kumar: Yes. There are a couple of brands which are in touch with us. There is a brand which I'm actually finding it quite exciting as well. So we are in touch. We are contemplating, should we bring that – t's a good brand, it's a beautiful brand. So internal discussions are on, we're trying to evaluate. See, as I said, this is the most difficult part, I've always said, we'll take time. The brand has to have all the ticks in place. We don't take it. Otherwise, I get brand proposals almost every week.But I don't want to just go signing brand as left, right and centre. For us, it has always been more nos than yeses.

So, hence, we want to be very, very sure of which brands that we choose. So it's a beautiful brand, exciting brand. Let's see if the overall team, all of us, feel they agree to our price positioning in the market. All that happens, then probably we might look at it. It is a women centric brand.

Naysar Parikh: Got it. And in terms of the new brands that you have TH, obviously their own stores contribute significantly. So for the...

Abhinav Kumar: No, just 10% of our overall sales.

Naysar Parikh: Okay. So for the new brands, it'll be the similar format where in their stores also we'll get space and all that.

Abhinav Kumar: Yes. Yes.

Naysar Parikh: And for the LFS, sir, you mentioned that – can you give a sense of how many Shoppers and Lifestyle stores you are in to-date?

Abhinav Kumar: I think barring their tail 10 stores. So Shoppers, we are there in about 80, 85 stores, more than that probably, 80, 85 stores. Lifestyle, we are there in about almost close to 65, 70 stores. So barring that bottom 10 stores, see, we are the market leader over there. So we are there, this is with the SLG with Small Leather Goods. Travel Gear, yes, the store count is lower. So Travel Gear in Shoppers Stop, we are roughly about 35, 40 odd stores. So, yes, we have a potential of growing further. Lifestyle, we just have one or two stores in Travel Gear. So this year there is a major push that is going to come on Lifestyle from Travel Gear perspective.

Naysar Parikh: And for the other brands that we have, can we just put – if we want to do a UCB, can we just put it in these 80 stores or for that you need to do like a separate?

Abhinav Kumar: No, you do a separate agreement and all of that. But we've already initiated the talks and thankfully our partners, all these large format stores have shown a lot of confidence. And we would be entering Shoppers, Lifestyle, Centro, all these guys with UCB?

Naysar Parikh: So basically this year UCB Arrow Posture will come across these and even Travel Gear should increase in more stores, right?

Abhinav Kumar: Yes.

Naysar Parikh: Okay. Sir, last two questions on receivables. Obviously, you've made great improvement. Can you just give a sense of how much of your billing is direct secondary versus you do the primary wholesale billing? So except for DND and FOFO is around 20%, 22%, do you do any other billing which is at a wholesale primary level or it's all end retail?

Abhinav Kumar: No, it's all primary, sir.

Naysar Parikh: Even at LFS level, we do primary?

Abhinav Kumar: Yeah. We build to Shoppers, we build to Lifestyle. So it's all at the primary level. In fact, hence, I always quote two figures, which is, one is the turnover that obviously we report, but we are a wholesale heavy model. And, hence, at retail, you just multiply this by two and you will understand that, okay, that's the size of the consumer business that we've been able to build. So this year we've crossed Rs. 325 crores.

Naysar Parikh: So that's your end retail sales?

Abhinav Kumar: That's my end retail sales.

Naysar Parikh: Even online, it's all primary. Is it except for maybe marketplace?

Abhinav Kumar: Except for the marketplace, everything is primary.

Naysar Parikh: So are you looking trying to shift at least LFS or something to secondary or that's not possible? Or that's primary is the better route for you?

Abhinav Kumar: No, primary is a better route over there. Shifting to secondary might not be a very good idea in LFS, but yes, what we've decided is that going forward, all the top locations, so if it is an A plus location in terms of EBOs, we're going to be now opening COCOs, because we're seeing a fantastic return on investment. In fact, last year we opened Quest Kolkata. That store gave us the entire investment back in six, seven months.

Naysar Parikh: Wow.

Abhinav Kumar: So all the top locations, A plus locations, we're going to invest into our own stores. We're going to open COCOs, Tier 2, Tier 3, all of this, we're going to take more of a franchisee route, where the local franchisee comes in handy to operate the store. So, one, you'll have certain direct billings coming from as and when we open these stores, Marketplace, we continue to grow. And, hence, you'll have a direct billing over there as well. These segments are not only – see, one thing is capturing the turnover. I'm not in the game to capture turnover for any particular means.

As I said, I'm more concerned about [Hindi Language] [1:36:55] What we track is that, okay, this year we've done Rs. 325 crores at the retail level, right. So Rs. 325 crore worth of products have gone to the end consumer, right. And what is the bottom line contribution that you are making out of them. But certain areas give you a certain channels give you a better control over the market. So, for example, the A plus locations now, if I'm getting a location in Select CITYWALK's arcade in Delhi, I will do a COCO, right, because that's a flagship store.

Similarly marketplace tomorrow – today Myntra, Amazon everybody has a particular mindset they're operating in a particular way. They're burning money. They're doing all of that. Tomorrow, you don't know, they're coming up with an IPO. They start saying, no, we will not discounting...

Naysar Parikh: Yeah.

Abhinav Kumar: We don't know. So marketplace gives me the control, where I am in the driving seat, I am in the control. I am speaking to my end consumer directly, you are just via medium. So...

Naysar Parikh: Yeah. So the channel margin of 50% in this, isn't that high?

Abhinav Kumar: So 50% when I say it includes GST. So GST in our case is 18%.

Naysar Parikh: But still, even 32% isn't that high? Shouldn't it be closer to like, 20%, 25%? Like, at least all...

Abhinav Kumar: I would love that, Naysar, in fact, if you could accompany me in one of these meetings, I love it. With the new handbags and all they're asking, these guys are asking 38%, 36%.

Naysar Parikh: Because apparel is closer to 20%, 25%, that is my...

Abhinav Kumar: Gone are the days.

Naysar Parikh: Okay. And the last question on the manufacturing side. So what is the CapEx and what percentage would we do in-house? And the reverse merger that you spoke about like what entity is that?

Abhinav Kumar: That entity is IFF Overseas. Currently, if you'll see Brand Concepts would be about last year, I think, they closed at about Rs. 46 crores, Rs. 47 crores, and out of which Rs. 8 crores to Rs. 9 crores was supplies to Brand Concepts, so which is roughly 20%. 80% is still Samsonite, Safari, all these brands.

Even with the merger, I believe that not immediately, but two years down the line, I see that 50% might be with us. We will occupy 50%

of their capacity. 50% will still continue to be contract manufacturing for other brands.

Naysar Parikh: Okay. And serve for our own manufacturing plant, CapEx and capacity?

Abhinav Kumar: Yeah, the CapEx for the hard luggage is going to come, including everything if I talk about. It's going to come to somewhere close to Rs. 15 crores to Rs. 17 crores is the CapEx and not including land, because land is bigger, where we'll also set up soft luggage eventually. But yeah, hard luggage, if I may say. And it'll require about odd Rs. 4 crores to Rs. 5 crores of working capital. So it's about a Rs. 20-odd-crore project.

Naysar Parikh: Got it. And we will manufacture what percentage between our company and this plant? What percentage [wheel access] [ph] manufacturer?

Abhinav Kumar: See, if we are able to occupy 100%, we would love to do that. But I doubt immediately we'd be able to do that. But I'm sensing a huge opportunity when we travel internationally, when we go and meet a lot of these brands, and licensing guys, and travel partners abroad, and we see that there is a huge shift happening from China, and brands are very, very open looking at India as their manufacturing sourcing, this thing. So we would love to cater to that. So I would give it again a 50-50 mix, Naysar, where 50% we would do in-house. And I would love to build a 50% sort of contract manufacturing over there.

Naysar Parikh: Got it, sir. Thank you so much. And all the best.

Abhinav Kumar: Perfect. Thank you, Naysar.

Vinay Pandit: Thanks, Naysar. That was the last question for the day. And thank you to the management for giving us so much of time. And thank you to all the participants for being there on the call.

Abhinav Kumar: Perfect. All right. Thanks, everyone, for listening to me patiently.

Vinay Pandit: Thank you.

Abhinav Kumar: Thanks. Bye-bye.