BRAND CONCEPTS LIMITED

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Date:17th February, 2025

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 12th February, 2025 for Q3 & 9M FY25

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 12th February, 2025 for Q3 & 9M, FY 25.

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: 2025.02.17 16:22:19 +05'30'

Swati Gupta
Company Secretary and Compliance Officer
Mem No. A33016

BRAND CONCEPTS LIMITED

Q3 & 9M FY25

POST EARNINGS CONFERENCE CALL

February 12, 2025 5.00 pm IST

Management Team

Mr. Abhinav Kumar – CEO & Whole Time Director

Call Coordinator

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q3 and Nine Months FY '25 Post Earnings Conference Call of Brand Concepts Limited. Today on the call from the management team, we have with us Mr. Abhinav Kumar, 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 detail us about the business and performance highlights for the quarter, the growth plans and vision for the coming year, post which we will open the floor for Q&A. Over to you, Abhinav.

Abhinav Kumar: Hi, everyone. Very, very good evening. So just reflecting on the current quarter, we continue to see pricing pressures, discounting pressures from across the board, whether it is incumbent brands, new brands coming on board or whether it is the old classic brands, we continue to see all those pricing pressures and all happening. However, as I had mentioned earlier as well, we've still chosen not to get into this pricing war and hence wait this period out.

In spite of that, I think overall from a retail perspective, if I comment. So we are at, I wouldn't say a very, very high growth, but I think a decent growth. If I take off the institutional sales, which last year, we had done to Shoppers Stop, bill buster program, that is a strategic sales that we had done, but I had mentioned it then also that it's not going to be continuing. It's a one-time sort of an activity. So if we take off that and then we compare the results, so this quarter also, we've grown by 15% overall. And for the period ending nine months, we've registered a growth of 21%.

So considering the current market situations, I feel that we're still doing a decent job. This growth primarily comes more from business development. And new brands, whereas our largest was Tommy, we see a muted growth over there. So in fact, for the quarter, I think it's a minus 2%. But we've taken a jump in our pricing, while everybody else is continuing to discount and everything, we've actually gone the opposite way, trying to run against the tide of the river.

But I feel in the long run, this is going to help us. A couple of quarters here and there should not deter us from our long-term vision. So we continue on the same path with certain brand strategies in our portfolio.

Overall, I think it's fine by the virtue of growth being muted and your costs being going up, bottom line is under pressure. However, I think it is pretty much in line with what we've been thinking. So I've been mentioning that we would be in the region of 10% to 12% EBITDA. And I think we're still being able to maintain that. Giving an update on certain projects. So our hard luggage plant is underway. And hopefully, as I had promised earlier that by March, we should start our trials.

And it seems we are on track with that. So March, we'll begin our trials. And next year should see production coming out of that plant and helping us not only in our supply chain, managing our inventories, supply chain, but also lowering down our costs, which will help us to fight better in the market.

Apart from that, I've been mentioning that new brands, so been quite in advanced stages with a few brands. And we hope that I still see a lot of white spaces or those strategic gaps in our overall portfolio. So looking at fulfilling all those portfolios and all those gaps through different brand portfolios. And hopefully, this year, we might be able to come up with a few good brands, which are strategically filling in those gaps for us.

The new brand that we had acquired, which is Juicy Couture, and I'm very, very happy to announce that we are now gearing for the launch of it. The team has worked tirelessly, something that we generally say that a new brand will take about nine months to 10 months for the rollout. We've been able to turn this around. And hopefully, March itself, we should be able to start our rollout as we speak. Our first consignments have left the factories. And March is when we look at starting to launch Juicy Couture. Very, very positive on that brand as of now. Let's see how the consumers like it.

Yeah. So that's it from my side. We always take longer time in Q&A. So I'd like to dedicate more time to that.

Question-and-Answer Session

Moderator: Sure, thanks Abhinav. Anybody who wishes to ask a question may use the option of raise hand. In case you're unable to raise hand, you can either put a message on the chat and we'll call you to ask a question. We'll take the first question from Risha Mehta. Risha, you can go ahead.

Risha Mehta: Yeah, thanks. So the first one is on the discounting part that you spoke about. So would you say that considering Tommy, like you said, has degrown by 2% in nine months and that we've stayed away from discounting, do you think that we've lost market share? And how are we really thinking about balancing between growth, discounting and market share if this kind of discounting continues? So that's the first question.

Abhinav Kumar: See, First and foremost, I don't think this kind of discounting can continue for very long here. So right now, whatever the fight is for whatever reasons, I don't think the discounting is going to continue forever, right? So today or tomorrow, rationalisation will sort of come back. Now when we were deciding internally on the strategies also, Risha, the question is whether are we Tommy Hilfiger Concepts Limited or are we Brand Concepts Limited, right? So we are Brand Concepts Limited. And hence, every brand will have to play a different role, a different part, right? So Tommy for us is a premium brand, and that's how the brand also wants it to be perceived and that's how their pricing goes.

And hence, for us to sort of lower pricing and go on a higher discounting and in the fear of losing market share, I don't think that is a strategy that we would like to take. We would like to maintain the premiumness of the brand. Today, yes, in certain price points where we need business, probably we need another brand in those price points and to capture those business. So I hope I've been able to answer your question.

Risha Mehta: On the market share part and also, if you could contextualise that with the kind of price hikes, what kind of price hikes have you taken? And how much of this 21% growth in nine months has actually come from price hikes? And would you say that since Tommy has degrown by 2%, have we lost market share because of the price hikes that we've taken while the industry is discounting? And with this kind of whatever price hike we have taken, how much of a gap are we at versus our peers? Because that gap would have widened, I would imagine.

Abhinav Kumar: Yes. So for example, if I give you a figure, our average ASP of Tommy luggage is now close to ₹9,000, ₹8,700 something. That's our average ASP, if you look at a set value, it brings the set value to almost ₹25,000, ₹26,000. Whereas today, the competition is coming across at right from ₹4,000, ₹4,500 kind of a set price. People have started selling luggages for ₹1,100, ₹1,200, ₹1,400, you get a T-shirt in that, and you're selling a full luggage. So that market was never us, let's put it that way, right? We were never targeting in that market.

So overall, you could say that, yes, as a percentage, as it is miniscule. So how much of a market share will we lose. But if you segment the market and if you look at the Premium segment, I don't think we've lost any market over there.

Risha Mehta: And how much price hikes have we taken? So 21% growth driven by what kind of price hikes for the nine months?

Abhinav Kumar: Our pricing in Travel Gear specifically, if I talk about, would have gone up by almost 9%, 8% to 9%.

Risha Mehta: Understood. And last one, if I may, on the manufacturing side. If you could just comment on our existing setup. So until we get this new hard luggage plant going, was everything completely outsourced both hard luggage and soft luggage? So what was the arrangement till now? And second, with the hard luggage plant in-house, then what kind of in-house versus outsource for hard, soft luggage are we expecting? And what are the benefits essentially that we are seeing in terms of, let's say, gross margin improvement or working capital? If some kind of quantification and numbers, if you can give here, that would be helpful.

Abhinav Kumar: Yes. So current scenario is, yes, everything is outsourced. And I would say the bulk of it we are still heavily dependent on China, right? We have a few Indian manufacturers with whom we've started working and Styles which have slightly higher volumes. So probably not in width, but at least Styles which have higher depth, we've sort of started manufacturing them in India. But I would still say that at best, the split would be about 35% India and 65% would still be sort of China or at least 60% would still be China, 35%, 40% would be India.

So once the plant kicks in, we expect and the plant will take some time to sort of come to a certain level. But yes, fully operational, running well, say, two quarters down the line, we can definitely expect that we will start shifting more and more in-house. And I would expect that anywhere in the first year, by the time we exit the next year, anywhere between 35% to 40%, 35% of our requirement would be coming from our own plant, 30%, 35% would be coming from the other plants in India. And China, we'll try and restrict it to about 30%.

Risha Mehta: And the gross margin and the working capital improvement, if any quantification or numbers there?

Abhinav Kumar: I think any which ways, if we move to our own manufacturing facility, in the ideal scenario, it should add at least 12% kind of EBITDA margin from there, which if you consider a 30% kind of a sourcing over there, it should lead to a 4% on the Travel Gear business. Now you have to understand it will not reflect on the overall because again, it will depend on the percentage of business which is coming from hard luggage, which I don't think would be more than 22%, 23%. So you can do the maths and you'll come to this thing that what is it that it should be adding to the bottom line.

Risha Mehta: All right, thank you. I'll come back in the queue.

Moderator: Thank you. We'll take the next question from the line of Naysar Parikh. Naysar, you can go ahead.

Naysar Parikh: Hi, Abhinav. Thank you. So a couple of questions. First is that are we doing anything to compete, obviously, not through Tommy, but with any other brand or private brand in the lower end of the segment?

Abhinav Kumar: Yes. Gearing up for that. We're gearing up for that. And hopefully, in the next two quarters, I think we'll start seeing results of those as well. So we've sort of gone controlled even in our e-commerce business when it comes to the new brands because we were first trying to establish them in the offline market.

And while we started off well in the offline market with these new brands, and then this entire price disruption and everything started happening. So we've now taken a strategic call that we shall now open up e-commerce also for our luggage and Travel Gear and all these categories under the new brands as well. So we've started the entire product development. We've started giving them. And even in my listing, I mentioned that there were some slow-moving items where we've sort of given a little higher discount, and we've started pushing them in the e-commerce channels, giving a much better price proposition for the end consumer. So I'm hoping that we'll be looking at some traction happening from those quarters. So we have...

Naysar Parikh: This is private brands or these are other new brands, Aeropostale type?

Abhinav Kumar: Aeropostale and Benetton to be precise.

Naysar Parikh: Okay. Understood. And on private brands today, what percentage that is? Is there any movement there?

Abhinav Kumar: Yes. So in fact, if you look at from a brand-wise perspective or whatever our private brands, we've actually -- in the nine-month period, we've grown by more than 200%, but the base itself was very small. In Q3, for example, we've grown by more than 90%. But again, the base was small, right? But to play this private brand price point story, Naysar, we have to understand that this is being played by all the top players, namely Safari, VIP and Samsonite.

And all of them are sitting with their own manufacturing setup, right? The moment you outsource your manufacturing, obviously, the margins are getting shared with the manufacturer. The manufacturers being -- so China as it is, is becoming expensive. So hence, importing and playing this game is not possible. So you come down to Indian manufacturers. Now if you come to Indian manufacturers, obviously, there is a monopolistic kind of a situation today, right? Whoever has a hard luggage plant is flush with orders.

So that price competitiveness even in terms of manufacturing, you're not getting. You don't know whether a manufacturer is making a 15% margin or 20% margin. It's very hard to say that. So playing this price game by being a trader, by sourcing it from somebody else and selling it to the end consumer, it's never going to work out, right? So the game will really start once we have our own manufacturing.

Naysar Parikh: Understood. And once our manufacturing setup starts, will we be able to produce even Tommy, etc over there or...

Abhinav Kumar: Yes. We're setting up a plant, we'll be able to produce 100% PC, the highest quality product. From day 1, we are, for example, taking on all the environmental, those carbon credit or carbon footprint, whatever you call it. We're taking all those steps where we getting that environmental-friendly certifications and all of that, which today for example, if you have to, tomorrow, you get a contract manufacturing opportunity from European countries or U.S. countries, we'll already be compliant with all of that. So we're taking all the necessary steps where it's a world-class manufacturing facility, which can compete with any manufacturing facility in China or anywhere else.

Naysar Parikh: Okay. And the capacity and you said it will go live when?

Abhinav Kumar: March is the trial. So I hope that we should be live with production somewhere in April.

Naysar Parikh: And what is the capacity?

Abhinav Kumar: The total capacity installed right now would be around 25,000 to 30,000 pieces a month with these lines functioning. However, it'll take us a few months to reach that optimum capacity. Once you start, you don't reach that capacity on day one, right? So it takes some trial and errors, lines getting set and all of that. So it will take about two, three, four months. So looking at the end of Q1, beginning of Q2 is when we should be in a position to start hitting 20,000, 25,000 pieces per month at least.

Naysar Parikh: Okay. And last question on merger. On the soft luggage also, what is the capacity and how should we think about that? And does that also help margins when we shift to the manufacturing?

Abhinav Kumar: Yes, that should also help our margins. And our NCLT meeting was set on 4th of Feb. So I really hope that I'll have some good news, but that meeting got pushed from NCLT. Now our hearing is on 24th. So let's hope the hearing happens. And if there is no this thing, we should get the order and then whatever another 30 days to 45 days it takes to sort of complete all the formalities.

Naysar Parikh: And what's their capacity?

Abhinav Kumar: Actually it depends on the size of the bag. So the primary product over there is a backpack, right? And whether it is a two compartment, three compartment or a single compartment, the quantities vary accordingly. But we have a capacity of on an average about 75,000 to 80,000 pieces per month, so about 1 million pieces a year.

Naysar Parikh: Okay. Got it. Thank you. I'll come back.

Abhinav Kumar: Yeah.

Moderator: Thank you. We'll take the next question from the line of Abhishek Sengupta. Abhishek, you can unmute and ask.

Abhishek Sengupta: Yeah. Just wanted to know how long do you think this discounted practice will continue? Do you think the peak is over or the worst is yet to come?

Abhinav Kumar: I think the peak is over. So for example, if I have to share Jan, right? Now January for example, January has been a good month for us, right? January, overall growth and everything has been very, very good for us. So slowly and steadily, the traction is coming back. Things are coming back. I started hearing even in the traditional trade that certain special offers or special discounts and all that have been withdrawn by a few players. So hopefully, the peak is over is what I would say. Now let's see how long the tail is, but the peak is over.

Abhishek Sengupta: Do you think we can expect like better numbers in Q4?

Abhinav Kumar: Q4 as it is, as I said, we've taken other measures as well, not only sitting back and waiting that the discounting war gets over and only then we'll start improving. Having said that, there are institutional in these markets is not a bad growth. I think that growth is still good. However, even after that, we've put a few things in motion. So nine months period, if you see, we are at a 7% kind of overall growth, right, including institutional and everything. So nine-month period, we are at a 7% growth. And we hope that I want to exit the year in double-digit. So we've already pushed the pedal. And hopefully, the markets are also supporting it. So Q4 should be better.

Abhishek Sengupta: Do you think we can cross ₹300 crores?

Abhinav Kumar: No, not ₹300 crores, but we're looking at Q4 standalone, if you talk about, we're looking at sort of a 15% to 20% growth overall, it helps us cross a 10% growth overall for the year.

Abhishek Sengupta: Okay. Thank you.

Abhinav Kumar: Thanks.

Moderator: Thank you. We'll take the next question from the line of Kashish Gandotra. Kashish, you can unmute and ask.

Kashish Gandotra: Thanks for the opportunity. Abhinav, a couple of questions from my side. One question is, if I see the revenue proportion, the modern trade channel has come down from 26% last year to 24% this year. What I was thinking, thus despite the number of stores has gone up from 37 to 46. So I just wanted to get a sense, are the stores making money right now? Because I think that will be a very important factor if we want to scale it up FOFO model, there should be sufficient incentive for them to make money so that we can expand rapidly. So just wanted your thoughts on this?

Abhinav Kumar: See, modern trade for us includes EBOs as well as large format stores and key retail accounts, right? So it's not only the EBOs. So for example, EBOs, yes, we've been growing. Overall also, we have been growing. And we were sort of like-to-like was minus which I have said in previous quarter . So till Q2, we were close to minus 10% like-to-like.

By the end of Q3, for the year-ended, we've come down to a minus 4%. So we've gained, right? So we've started gaining back. There, again, ASP corrections have worked better in our EBOs, so which is leading to a better margin structure as well.

So I would say that, yes, the stores are profitable. We are not running loss-making stores. But why you'll see a modern trade overall coming down, it's also got an impact of, so we were present across Reliance-Centro and all those channels as well. And Reliance has sort of decided to scale down the operations of Centro. And overall for us also, it was not making sense. So we've started to pull out of Reliance-Centro. So hence, modern trade numbers look a little compromised.

Kashish Gandotra: Got it. So basically, FOFO model, they are making money. We are trying to improve the revenue and once it improves the profit. And are we seeing sufficient traction, because what is our target to increase the number of stores, say, next year or next couple of years?

Abhinav Kumar: Actually, when it comes to the stores, we are trying to redefine our physical stores, okay? So while we have taken an aggressive target this year to expand on the stores, and we did that also. We added some eight, nine stores in the first four months itself. But then we sort of slowed down. And we're trying to reimagine the entire physical retail space because with the onslaught of earlier it was only e-commerce and now it is quick commerce and all of them, right?

One needs to have a really good unique selling proposition in physical retail for able to attract the end consumer, right? So as we speak, we are almost finalising on our new identity, new this thing. So I think in the next couple of months, we want to do an experiment. We want to do a pilot with sort of a larger store. And as I said, we also have a few more brands in the pipeline and touch wood, we've gone after also brands which are good brands, which are top brands. And all the brands are such that I can't say no to any one of them, right? They are such brands.

So we're also waiting that if we are able to convert a few brands and then plan the stores accordingly so that tomorrow, once we have these brands, we are able to showcase all those brands in our store. So hence, for the time being, going a little slow on the expansion. But when I say slow, it doesn't mean that we are not going to be opening stores. We are opening stores, but it's not that I'm going to be opening another 20 stores in the next six, eight months.

Kashish Gandotra: Sure. Makes a lot of sense. One last question, if I may squeeze in.

Abhinav Kumar: Yeah.

Kashish Gandotra: Another question was now since we'll have that backward integration with us once the manufacturing comes in, are we planning to enter into a different set of customers, say with Tommy majority of our revenue come, which is a premium segment. Once we have our production capability with us, are we targeting to target mass segment? And if yes, are we going to do it with the vertical brand or we are in conversation with acquiring a new brand, something like that?

Abhinav Kumar: See, Benetton and Aeropostale would help us in definitely acquiring that mass and mass premium consumer. Today, we are sort of handicapped where we have the brand, but as a manufacturer's pricing advantage, we don't have that, right? And hence, vertical will still be a play. I'm not saying that we'll not be playing on vertical, but I will see the initial thrust will go towards Aeropostale and Benetton.

Again, to answer your question, yes, we are in talks with one more brand, which is going to be in that price bracket. So the idea would be that it'll be Aeropostale then Benetton then one more and then it is Tommy.

Kashish Gandotra: Sure. Thanks a lot Abhinav. All the best for the future. And thanks a lot for giving all the answer and so much detail. Thanks.

Abhinav Kumar: Thanks.

Moderator: Thank you. We'll take the next question from the line of Yashowardhan Agarwal. Yashowardhan, you can unmute and ask.

Yashowardhan Agarwal: Yeah, hi. Good evening. How are you?

Abhinav Kumar: Hi, Yashowardhan. All good.

Yashowardhan Agarwal: Just had a few questions. Few on the industry and few on company-specific. From the industry perspective, if we may look at the results of the big players currently, so they have achieved good volume growth, but they are now unable to achieve that much profitability. So we clearly suggest that currently they are playing on the pricing game, correct? So my question is that since on the demand side mainly if the volumes growth is so strong, let's say a quarter or two when they will increase the prices. So won't that impact the demand? And is it possible that the customers are currently preponing their purchases, because they are seeing that the value at which they're getting the product are so good? So instead of let's say three or six months buying later, they are buying it currently. So what's your take on that?

Abhinav Kumar: See, it's a very broad sort of question. My take on that would be, A, at that price, you're not getting a value-added product, right? You're getting a very, very basic product. B, if you look at the famous that pyramid structure, which we all make, right, where the bottom of the pricing grid has the heaviest chunk, right? That's the belly. But as you keep growing, people will migrate from that sort of bottom of the pyramid moving, inching towards the mid of the pyramid and the mid ones would start inching towards the upper end of the pyramid. So that's a life cycle. That's a journey which happens, right?

And hence, from a long-term view, I don't see that as a challenge per se. Today, in fact, a lot of unbranded people have been actually converted to a branded because of the pricing that you're getting a branded product, it's virtually cheaper than what you were getting those unbranded products, right? So obviously, a lot of people are coming into the brand fold, which is actually good news for us because eventually today or tomorrow in that consumer's journey, that consumer is going to go up, right? And everybody will have their own segments to play upon. So I don't think there will any large impact on this. I don't see it that way. if they're correcting the pricing. Yes, the volumes might correct a little bit here and there. But overall, the segment is still very, very bullish.

Yashowardhan Agarwal: Okay. So the demand that you are seeing currently, you feel that even if the prices increases, so the demand will hold up, right, especially in our segment?

Abhinav Kumar: Yes, to a large extent, it should hold up, because see what happens is Yashowardhan every year, if you look at we are the hottest aviation sector in the whole country, right, in the whole world, right? The amount of traveling which is increasing today, travel for multivarious reasons, it's crazy, right? And you would keep on needing bags, right? Though the life cycle of a bag, it's not like a shirt or a T-shirt where the life cycle is probably three months, six months or eight months. Here, the life cycle of a bag is 2.5, three years, right? But every 2.5, three years, there are so many people coming in, changing their bags, buying new bags. So long-term, I don't see that as a major challenge.

Yashowardhan Agarwal: Got it. Very helpful. My next question is that for the Tommy Hilfiger some of the luggage's that I've seen on a website. The discount that has been shown is around 45%, 55% and 60% for some of the products, right, and even on the Myntra. So just wanted to know that is there the conscious decision to show this kind of discounts, because earlier I remember that we were discussing that we don't want to show it as a very heavily discounted brand so?

Abhinav Kumar: Correct. So you will always have certain lines which will, see, Yashowardhan today, the reality is that up to 50% is a given. It's now consumers' brand perception also doesn't go away, up to 50% is given right? And ours up to 50% is not flat 50%. Our up to 50% is still actually up to 50%. We are, in fact, one of the least discounted brands. So if you actually look at the least discounted brands till yesterday will be Samsonite and us, right, as a brand. So certain lines, if it is an old season merchandise, if we're getting, if it is a liquidation or if it is a specific e-commerce model, certain lines are carrying that sort of a discounting. But that's about it, 70% of our entire line is less than 30% of discount.

Yashowardhan Agarwal: Got it. So that means we are not taking a hit on the margins, right? It's just the inflationary price that we are showing and the discount. But overall in terms of realisation, there has not been much change, correct?

Abhinav Kumar: Yes.

Yashowardhan Agarwal: Got it. And my another question is that, in the opening remarks you said that currently we are in advanced stages of the talks with some of the brands to sign. So just wanted to know that currently if we see UCB, we are scaling it up, we have just signed GC. So currently signing a new brand will also lead to more inventory in terms of developing it. So in these times do you find that decision to be correct? Because that may lead us to some kind of working capital pressure. So what's your take on that?

Abhinav Kumar: Yeah, see it will not only lead to working capital pressure, it'll also lead to pressures on your manpower on a lot of other things, right? But strategically, if you need, so there are two approaches. One is, we have these resources and this much is what we can do. The other approach is, we have to do this -- now whatever resources that we need, we'll provide that. So we've taken the second approach. We need to strengthen our brand portfolio. This is the time when we prepare ourselves for the long haul, right? And hence, we initiated dialogues with these brands. And I feel that these brands will be a great addition into our portfolio. And then whatever we have to do to support or figure out the working capital, we continue to invest into our manpower, strengthening our resources. We continue to do that. But the vision is very, very clear that we want a six to eight brand portfolio. We want to become a house of brands. And hence, till the time we reach that critical level we're going to be adding brands.

Yashowardhan Agarwal: Got it. Very helpful. If I may just ask a couple of more questions.

Abhinav Kumar: I don't know...

Yashowardhan Agarwal: Is that fine or should I come back in queue?

Moderator: Can you please join the queue order.

Yashowardhan Agarwal: Sure.

Moderator: Thank you. We'll take the next question from the line of Risha Mehta. Risha, you can unmute and ask.

Risha Mehta: Yeah, thank you for the follow-up. So with our own manufacturing, would we be seeing any benefits to our inventory days because right now, majority of it is imported from China. And if that becomes half, then how would it benefit our inventory days?

Abhinav Kumar: It should. But see, given the nature of, there are advantages and disadvantages both being a listed company, right? So the advantage is the correct pressure, which all of you guys put on us. That's a healthy pressure. The disadvantage is that you have to live quarter-on-quarter, right? So if you're talking from a quarter-to-quarter perspective, probably in the next couple of quarters, I don't know whether the inventory will go up, down because you'll have a lot of raw material stocking, you'll have all of that.

But technically speaking, from a long-term perspective, yes, manufacturing should bring the inventory levels down because your lead times would shorten up. There's zero transit of the finished goods. However, raw material stocking will go up. But net-net, I still feel that our supply chain will get strengthened to a quite large extent. But the result of it will come in Q1 of next year or Q2 or Q3. It's very difficult for me to comment on that right now, Risha.

Risha Mehta: Fair, fair. The other thing was on the margins front, right? So while yes, 11%, 12% margins, which we've maintained despite the challenging environment is a great feat. But when I look at it from a PAT margin perspective, our aspiration has been in that 5% to 6% range. And with the new plant coming in and with higher depreciation, I would imagine higher employee costs and some fixed cost kind of coming in, how do we see the PAT margin shaping up in the next one to two years?

Abhinav Kumar: See two years down the line, I'm hoping that it'll be back to the levels that our aspiration is. We'll come back to the level. But if I have to give a comment of, for example, this calendar year, if I have to give a comment on that. I feel that, yes, because we've opened a lot of stores, we've opened some COCOs as well. Then there is depreciation in terms of, we've done a lot of CapEx or we continue to do CapEx, whether it is our warehouse, whether it is the new manufacturing and hence, the depreciation and all this will also start to go up.

So currently, yes, if we remain at a 10%, 11% kind of EBITDA, about 11% kind of an EBITDA, we would be seeing a 3%, 4%, 3%, 3.5% kind of a PAT. We are working towards it where not at the PAT level, but at the EBITDA level itself, can we sort of start climbing back to that 12%, 13%? Because to be honest, yes, I myself, I'm not very happy with the fact that, I don't look at it more from that perspective or percentages or whatever my earlier benchmarking percentages.

But I look at from the perspective that what is the cash residual in my hand, which I'm able to save, which I'm able to put back into the business. And not very happy with the current listing. So hopefully, once we start sort of building on a few drivers, which start delivering, we'll start seeing better EBITDA margin itself. So we'll start crossing 12% again, which will start reflecting even in the PAT margins.

Risha Mehta: Right. And just to complete this point, so this quarterly run rate of ₹7 crores for employee costs and depreciation, ₹3 crores, does that include the new plant expenses and the depreciation or that has not yet started coming in?

Abhinav Kumar: No, that has not yet started coming in. New plant, there are a few people who we've hired, but majorly that whole thing is not coming in.

Risha Mehta: Right. And you would be able to guide for a quarterly run rate on employee and depreciation costs right now or maybe we got to wait for another one or two quarters?

Abhinav Kumar: Sorry, I didn't catch you on that.

Risha Mehta: So in terms of your estimates for quarterly run rate for employee costs and depreciation costs once the new plant comes in, so will you be able to guide on that right away? Or would we have to wait for one or two quarters for that?

Abhinav Kumar: Yeah, you'll have to wait for at least one quarter. And then we'll be able to, so probably towards the end of Q1 is when I'll be able to sort of give a much better concrete answer on that.

Risha Mehta: Right. And on the channels, so first is on this institutional channel, right, so FY '24, it seems was a very good year for the institutional channel sales, but this year has been subdued. So any specific reasons why this channel has been subdued? And how can we kind of reduce the lumpiness of the revenues, the sales that we do to this channel? And what was the contribution in last year versus nine months this year?

Abhinav Kumar: So I actually mentioned this right at the beginning that institutional, there was one strategic institutional sales, which we did last year, which was not of sort of a recurring nature. And hence, that whole data probably today looks skewed. And that sale in itself was to the tune of almost ₹26 crores, ₹27 crores, right?

So if you knock off that and then if you study the data, you will see that institutional in its own has also started growing now. We have a proper institutional team. We have institution head who is heading that business. So we've sort of strengthened that department also and looking at sort of building on to that.

Risha Mehta: Right. And on the CSD channel, so I think we had entered this channel in Q4 of FY '24. So in nine months, how has this shaped up? What kind of revenues have we done in nine months?

Abhinav Kumar: Very well. So in fact, overall, our bulk of the growth, one is which has been fuelled has come from the CSD channel. So whatever some channel corrections or, for example, your Reliance-Centros closing and all that and tepid market conditions. But in spite of all of that, we've been able to post strong numbers, one strong reason for that is the CSD channel. We've been doing well over there, Risha, and hopefully, so what we also intend to do is once we have our own plant completely functional and running, a lot of these models, which we are servicing to the canteen stores department are going to move in-house.

And hence, whatever there is a margin compromise today happening because of the certain pricing that you've given to canteen stores department, those things should also get corrected. But yes, net-net answer, we've been doing pretty well over there. We are getting a good traction over there, and we plan to expand it even further.

Risha Mehta: Right. And what would be your revenue mix across brands, across categories and between hard luggage, soft luggage? Would it be possible to quantify that? Or maybe I can write for this data? Maybe I can give...

Abhinav Kumar: Yes. I'll prefer that, and we'll give you all the data.

Risha Mehta: Sure, thanks so much for the detailed answers and best wishes.

Abhinav Kumar: Thanks, Risha.

Moderator: Thank you. We'll take the next question from the line of Abhi Jain. Abhi, you can unmute and ask.

Abhi Jain: Hi, good evening.

Abhinav Kumar: Good evening, Abhi.

Abhi Jain: Just first question is simply looking at one of your listed competitors and they are talking about improving EBITDA margins in Q4. And obviously, they have also given a guidance that they're seeing tailwinds and they're seeing turning things around. And you were also mentioning that Q4 seems to be a 15%, 20% growth kind of a quarter. But just on the EBITDA margin, and I know it's very short-term, but given that uncertain environment we are in, do you think that you'll be able to maintain or slightly better this EBITDA margin in Q4? Or are you seeing any headwinds to that?

Abhinav Kumar: The first point is that the 15%, 20% growth, if we sort of do that, I think the EBITDA margin should be sort of better.

Abhi Jain: And just a second question. I mean, we were on a trajectory and last year, I mean, you were expecting that there will be a 25% growth rate. And obviously, you were growing much faster than your peers and you were looking like that you have winner's edge, some industry-leading edge. But we had to recalibrate this year because the industry went into a headwind. And you must have also reflected and look back upon this year and must have. I don't know, I mean, you must have realised that there are certain competitive advantages that Brand Concepts have, which will put you in a better state in the coming two years.

So I just wanted to understand, I mean, what has this year sort of taught you and help you understand about the company, how you are positioned in front of your competitors? And what makes you feel confident that in the next one or two years or maybe even three years, you will be the industry-leading player, if I may say so, or if I'm the liberty to say so or you have those. I'm not able to frame it properly, but I just want to understand that.

Abhinav Kumar: No, no, I got your question, Abhi. I think it's a very, very good question because yes, you're absolutely right. We've been doing a lot of introspection. We've been doing a lot of thinking on what is our competitive advantage, and trust me, the more that we think about it, the more we reflect on it and the more we feel, yes, we've made mistakes.

We've made mistakes when it comes to getting the right product. Benetton today, UCB, for example, in the first year of its operations, this is the first complete full year of operations of Benetton. And we should be sort of ending at a ₹50 crore plus retail, which in wholesale translates to about ₹25-odd crores. So we should be able to translate around the ₹50 crores of retail.

Now I would say it's not a bad feel for a new brand. But none of us internally possibly are very, very happy about it. The simple fact that we could have done much better. And hence today, so for example, Benetton handbags, very miniscule. We could have done wonders over there, but the product didn't fire. It was not well accepted by the consumers. Now while I understand that it's a learning curve and all of that, but I think we should have done better. We are not a new player where we can afford to have so many learning curves, right? And this brings me to the point, somebody else also, I think gentlemen had asked that you're signing more brands.

So whatever we've been able to do with Benetton and Aeropostale been able to do and not been able to do, has given us enough room, enough food for thought that are we prepared to sort of sign other brands. Today, for example, and I have always mentioned that brands are -- it's a constant process where you are in the process of discussions with those brands. And we are in discussions with almost four to five brands. Some of them will materialise, some of them will not.

But if I were to ask a question that tomorrow if all those four or five brands say yes on the same date, the brands are so good that I'll not be able to say no to any one of them, right, are we prepared to sort of do justice to those brands, understanding where the customer and the brand fitment with the product is happening or not, because today's consumers become smart. So one game is simple, the pricing game. You make a bare shell product and just put a particular pricing. I never wanted to take that route, and I will never take that route, right? So we do that whole product brand fitment, consumer fitment, price fitment and all of that.

So I think a lot of areas where we can improve. Women handbags, for example, is a complete white space for us, right? Our total contribution of women handbags would not be more than 5%, 7%, correct? So we have a lot of headwind over there, a lot of headroom over there. Similarly, for example, backpacks. Backpacks still, I don't think we've reached that right potential where, so a lot of headroom in backpack. So a lot of different product categories, a lot of strengthening is required, which we are doing internally. Bagline, as I said, can we be the sort of disruptor over there with our stores, or is it just another run-of-the-mill physical retail store.

So today, physical retail is nothing, but it's going to be an experience. Are we able to give that experience to the consumer? We are not, to be very honest. Not very happy with the kind of experience that we have been able to deliver. So we need to do a lot of -- there's a lot of work which needs to be done. This year, we've taken more as a year of consolidation. So we've done a lot of internal this thing.

Our warehousing, we've been running on that old warehousing for a very long time. So we moved to a new facility in this year. Our deliveries got impacted. Our e-commerce deliveries got impacted in the beginning. But now it's all settling down. We're building a world-class warehouse. We've taken a consultant in order to sort of optimize their inventory management and the flow of it. So a lot of efforts we've done this year. And hopefully, we should be able to see the results in the coming years. So yes, this year that ways has been extremely good for us.

Abhi Jain: Again, thank you for your candid honesty as always, that's great. And just finally, I wanted to understand what do you understand about the consumer behaviour in India, particularly in travel and luggage? You have been doing this for almost 15, 20 years now. Can you in a way summarize this Indian consumer? What happens to this Indian consumer that it is so jubilant and vibrant and ready to go out shop for brands a few years, then suddenly it sort of isolates and then suddenly, it just goes into these that it delays the shopping decision, we see price fall happening. So what have you made out of the consumer behaviour of Indian consumer? And have you been able to understand the consumer better? That's what I wanted to understand.

Abhinav Kumar: Yes, see I think what has happened and specifically if I'll talk about the Travel Gear space. See, having said that, we also have to understand that the past four quarters, overall retail has been slow. So it's not that it's only Travel Gear, which has been slow. You look at everybody's results, right? So overall retail, overall consumerism has gone down, whether it was inflation, whether it was less money in the pocket or whether it was all the money going into SIP, now these are reasons to just sort of post-mortem. But whatever it was, the reality was that there was less walk-in. The offtake from the end retail point or e-commerce or whatever has been muted. So overall retail sentiment had been muted.

Now if we come to Travel Gear for specific, what happened was suddenly two large players went into a price war, one for the other reason, one for some other reason, right? I would not want to comment on why going into it. But now for us, you have to understand what was happening is, earlier the entry price point was about ₹3,500, ₹4,000 for a branded product in the market for a cable. Then the next player was selling it for about ₹4,000, ₹4,500. Then the next brand came at, say, ₹5,000, ₹5,500. And then it was us somewhere around ₹7,000 kind of a mark, so ₹7,000, ₹7,500.

Now what happens is suddenly, one of them go rock bottom. They just suddenly slash the pricing. The other guys follow suit. So now the difference is you buy something for ₹1,500 or you buy something for ₹8,500, right? So I don't blame the consumer today that no matter how discerning the consumer is, if you're making a shift of buying behaviour of 20%, 30%, it is understandable, 40% understandable, 50% understandable.so I was buying at ₹5,000 now I am getting at ₹7,000-₹7,500 so 50% jump. But I'm getting a Tommy as a brand, I'm getting fashion and all of that. But Abhi, the decision making is ₹2,000 and ₹8,000.

So then suddenly you can't say that the consumer has suddenly gone, it's what we ourselves have done to the industry. But it's our own making. It seems as if it's the race not to the finish line, but to the bottom line. I don't know. But hopefully, this will not continue. It's going to change and things are going to start to come back.

Abhi Jain: Thank you again. Thank you for your honesty and thank you for your detailed answers. It's always good to understand the consumer and the market better from you, it's coming straight from the horse's mouth is always the true picture. So thank you and wish you all the best for the coming quarters. Thank you.

Abhinav Kumar: Thanks Abhi.

Moderator: Thank you. We'll take the last question from the line of Yashowardhan Agarwal. Yashowardhan you can unmute and ask.

Yashowardhan Agarwal: In my experience to some of the retailers that I have talked in the ground, they are seeing that the online sales has hampered their growth, and so wanted to know what is our traction that we are receiving from our stores? Because the guidance that we have given is also the growth in retail sector, right from retail stores taking the store count to 100. So if the existing players are seeing that the online sales are impacting the retailers consumption behaviour. So just wanted to know that how are you feeling about it and what are the thing that dealers must be telling you, right? That what is their experience?

Abhinav Kumar: See, I believe that all these, whether it is e-commerce or whether it is offline, this is going to parallelly exist. But having said that, things are changing so fast, it's become such a dynamic world that you cannot be held on to with one thought, right? So if today, I decide that or probably I would have given a narrative that what, we'll open 100 stores or we'll take the store count to 100. I think we need to be nimble on our feet to understand if disruption is happening, and we need to slow that down and we need to be a little more aggressive on digital or on e-commerce side, why not?

At the end of the day, you are still servicing the end consumer, right? Somebody with some product, somebody with some product. So today, I think one big disruptor, which is coming in the market is the quick commerce. If you understand e-commerce and physical retail, one big advantage the physical retail carried was instant gratification, right? So you pay and you get the product in hand and you move out, correct? E-commerce was doing one day delivery or at best 2-3 days, but now with quick commerce, it's 8 minutes. So they solved the instant gratification also, correct?

Earlier, it was only your essentials or grocery items. But today, these guys have become aggressive even in -- they're getting into the fashion categories also, right? And looking at them, Myntra is preparing for its own sort of quick commerce. Amazon is preparing for their own quick commerce. Everybody is preparing for their quick commerce. So how would retail pan out in this, is why, as I said that we want to -- we are in the process of taking a step back and understanding that actually what are you delivering from the store, that instant gratification also is being met by that platform, whether it is Myntra now or whether it is Blinkit and it's become a phenomenon.

So should we open stores or should we be just partnering with them and open dark stores rather be present with them. So these are fundamental questions that needs to be answered. I still believe that experience in retail is going to be the key. Now what kind of an experience are we able to deliver will decide whether your particular offline model will survive or will...

Yashowardhan Agarwal: Got it. And one last question. So what is the strategy pertaining to opening the new store in terms of be it of Bagline or Tommy Hilfiger and let's say last time you also guided that we had signed JCs. So it is possible that we can open the store of a particular delegated brand.

Abhinav Kumar: Yes. So we've signed our first store of JC, so hopefully, somewhere around in April, we should launch our first store in JC as well. But as I said, as I've mentioned earlier also, our primary focus would remain on opening Bagline. But if a brand has the strength and merit of sustaining a store and also from a perspective of presenting the brand experience to the end consumer so that there are some stores where they can come and experience the brand in its entirety, we'll open those stores.

So today also, if you look at out of the 46 stores that we have, there are only four Tommy Hilfiger Travel Gear stores, right? So the focus is for sure on opening more and more of Bagline stores where we are able to sort of showcase all our brands under one roof.

Yashowardhan Agarwal: Got it. That's all from me. Thank you and good luck.

Abhinav Kumar: Thanks Yashowardhan.

Moderator: Thank you. Since that was the last question, I will now hand over the call to Vinay. Over to you.

Vinay Pandit: Thanks. So Abhinav, would you like to give any closing comments before we end this call?

Abhinav Kumar: No, I think I'm exhausted with my comments.

Vinay Pandit: Sure. So thank you to all the participants for joining on the call, and thank you to the management for giving us their time. This brings us to the end of today's call. You may all disconnect now. Thank you.

Abhinav Kumar: All right. Thank you, everyone.