BRAND CONCEPTS LIMITED

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Date: 21-05-2025

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,

Symbol: **BCONCEPTS**

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

Scrip Code: **543442**

Sub: Transcript of Investor Call held on May 19, 2025

Dear Sir/Madam,

Pursuant to Regulation 30 of the Listing Regulations, copy of transcript of the Investor call held on May 19, 2025 at 10:00 A.M. (Indian Standard Time) to discuss Company's performance for the Q4 and year ended March 31, 2025 is enclosed.

The aforesaid information is being uploaded on the Company's website at www.brandconcepts.in

This is for your information and records.

Thanking you,

Yours faithfully,
For **Brand Concepts Limited**

Swati Gupta Digitally signed by Swati Gupta Date: 2025.05.21 17:37:13 +05'30'

Swati Gupta
Company Secretary & Compliance Officer
Mem No: A33016

BRAND CONCEPTS LIMITED

Q4 & FY25

POST EARNINGS CONFERENCE CALL

May 19, 2025

Management Team

Mr. Abhinav Kumar - Whole Time Director and CEO

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q4 & FY '25 Post Earnings Conference Call of Brand Concepts Limited. Today on the call from the management, we have with us Mr. Abhinav Kumar, Whole-Time Director and CEO.

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

I would now request the management to detail us about the business and performance highlights for the period ended 31st March 2025, their 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, thanks, Vinay. Very, very good morning to everyone. So, I think the Q4, just a few key highlights about Q4 was that we've sort of maintained or delivered a decent top-line growth. Considering the market situations, I think it is pretty good. And in terms of the bottom line, I think we've been even in such a difficult price scenario where the competitors discounting has been extremely high, we've been able to sort of maintain our EBITDA margins and in fact, maintain our GPs, gross margins.

In fact, gross margins have increased by a few basis points. So overall, I think we fared well from where we started. And there is a higher sort of interest cost and depreciation on account of new investments and everything that we've made. And hence, the PBT has come a bit lower, but there was an extra tax incidence which we had provisioned for in the earlier quarters, and hence, we've got the benefit of those tax incidence, which has taken us to deliver a better PAT margin.

Overall, from a brands perspective, I think Tommy Hilfiger continues to grow strong. The brand salience has been pretty strong. We wanted to make a few corrections on the brand side with respect to Tommy Hilfiger. We wanted to make a few corrections in terms of pricing, in terms of the heavy discounting, which a few e-commerce players had done. And hence, we've been effectively able to check that. Our ASPs have been growing in Tommy Hilfiger.

Benetton, I would say that we've done fairly well. It's taken almost 10% now of the overall turnover. So, I think for the first full-year of operations, we've seen a good response in Benetton. But I think we're very, very hopeful on the third brand that I'm about to share, which is Juicy Couture. And we just were able to launch it in March. It was the first season. And I would definitely say that it has been one of the best launches from Brand Concepts till date. We did a good digital media campaign. We upped our digital game and very, very happy to share that within the first 15 days itself, we were able to garner in terms of the overall views and impressions that we generated. It was 1.94 billion impressions and views that we were able to generate across different media platforms. And that has given us a lot of confidence. Consumers have showed a lot of love towards that brand. Shoppers Stop being our very close ally and partners, they also believed in the collection. And initially, we had hoped that we launch across five, 10 stores, but after they saw the collection, we saw the plans and they went quite bullish on it, and we launched across more than 40 locations of Shoppers Stop.

As we say, we are rolling out more. As we keep on going, we are rolling out more. The initial response of Juicy Couture is very good, very well accepted. And as I had said earlier also that I'm pretty bullish about this brand and as a category. So, this strengthens our position in the handbags segment. So that's something which we are really looking forward to and we see that this should become a decent contributor to our overall brand portfolio.

Apart from that, we've made a lot of investments in the last year, be it our warehouse, be it the new manufacturing plant. The new manufacturing plant, as we speak, we did the first trial orders. And those trials have been successful. So, I'm hoping that from this month onwards or within this month, we will start the full-fledged production. And the plant has come up really, really well. This is currently a PC plant. We are also already proceeding now with setting up a PP machine as well. So, we are evaluating the machinery and everything. And I think in the due course of time, we should be able to start on a PP line as well.

We finally received the order from NCLT. Very happy to share that we've received the order from the NCLT for final merger of IFF Overseas into Brand Concepts. So hence, now backpack as well as luggage, both they come in-house. So that's a good news that we have. As I said, in the warehouse perspective, we've invested into a very good warehouse state-of-the-art facility, which should improve our efficiencies in terms of supply chain and dispatches and everything by multi-fold. So very happy to share on that.

Now with all of this, of course, the new investments, you have your interest and your depreciation gets impacted. And hence, you see the effect in PBT. Nevertheless, as we keep on growing, I think the mechanism, the Ind AS mechanism is such that it will keep on getting better every year. So I look forward to that. And I think we are now in a very, very good position with all our factors checked in, right from manufacturing to. We've added stores this year in terms of EBOs. At an overall level, we are almost 48 stores. So I think we had even though the overall year was a little tough, the consumer demand was a little tepid. The competition was playing the price game. I think we've still been able to hold our fort and fared well.

So now over to the questions.

Question-and-Answer Session

Moderator: Thanks, Abhinav. All those who wish to ask a question, may use the option of raise hand. In case you're unable to do so, you can just put the question in the chat box or you can put a message in the chat box and we invite you to ask your questions. We'll take the first question from Abhi Jain. Abhi, you can go ahead.

Abhi Jain: Good morning. Hope you are doing well?

Abhinav Kumar: Yes.

Abhi Jain: My first question is on the LFL growth, are you seeing any traction on that? Because I think that is one of the most important metrics to understand in terms of brand. But in terms of the brand that we have, are we able to grow them year-on-year? And I think last year was a struggle. So, are you seeing any recovery in that?

Abhinav Kumar: Yeah. So LFL, if you see e-commerce LFL, we've grown. The distribution proof, including the department stores, they have been a little sluggish. But I would still say that the LFL is better than last year. But it is still in negative zone. Our EBOs were sort of flattish. Yeah. But ASPs have been increasing. So, the value growth is better than the volume growth in most of our channels.

Abhi Jain: Okay. That's fairly helpful. And secondly, I just wanted to understand whether you are very gung-ho, whether you are tracking return on investments. Do you have a trajectory? Do you have a plan around return on capital employed, return on investment for the company as a whole? But I think most of the CEOs, for most companies that helps to bring in all the metrics together and the focus on that really helps the business in the long term. So, do you have discussions around that? Is that a focus area for you?

Abhinav Kumar: Yes, 100%. Our focus on the capital employed. So, for example, even in the warehouse, when we were investing, the discussion came that the overall investment was close to ₹15 crores, ₹16 crores, right? And we said it was not about the money that we couldn't have put in ₹15 crores, ₹16 crores and got the entire thing done at one go. But we said, no, we'll break it into phases. And one of the primary reasons of that was the fact that let's take it sequentially so that our ROCE, our ROE are still protected. Hence, there's always a focus on the capital employed. And yes, I hope I've been able to answer your question.

Abhi Jain: No, that's helpful. Because I think that FY '22 onwards, obviously, the return on capital was one of the most unbelievable to be very honest, but obviously, it's taken a dip in the recent years, and hence I wanted to understand that. So obviously, now since the industry has seen a downturn, and I'm hoping that with the tax rates and everything, we'll see a revival this year. Hence, just a long short question. In terms of FY '28 or FY '29, where are you seeing your PAT margins, return on capital employed? Any sort of medium-term target or plan that the management has taken or is working on?

Abhinav Kumar: Let me answer this question in a different way. From our overall in terms of brands perspectives, from a medium- to long-term, we want to start hitting a 5% upwards of PAT. And obviously, in the long-term, you would expect that to go even higher. So, EBITDA margins inching towards the 14%, 15% kind of a mark. So that's our sort of a long-term objective. And yes, but medium term, three years down the line, if I have to talk about, yes, we'll be looking at 6% kind of a PAT.

Abhi Jain: Sure. Thank you. That was helpful. And all the best.

Abhinav Kumar: Thanks.

Moderator: Thank you. We'll take the next question from Naysar Parikh. Naysar, you can unmute and ask your question.

Naysar Parikh: Hi, Abhinav. So, I think largely now where do you think and how do you think the whole industry discounting and everything will resolve itself, because competition is obviously increasing. So how do you think about it? Is it still a couple of quarters? Is there still enough inventory there for it to continue? How should we think about that thing?

Abhinav Kumar: See, if you talk about discounting, I think there were two players which have been sort of discounting or leading the price war. And now we see even the likes of Samsonite Group under another brand name, which is Kamiliant. And they've also launched a very sort of economical product, mass product. So, while this continues, it's very difficult to say when will this end? It has to end. But in between, we have started seeing some price corrections from VIP. However, I think it was met with a tepid demand and hence, they brought it down. But what I hear is, and I could say it's great why most of the brands are also focusing on having a premiumised offering as well.

So, as we speak, all the other brands are also looking at doing something in the premium space, because everybody is saying that premiumisation is the key. And that's where you see a strong demand happening in that premium segment, right? So hopefully, I would say that another one to two quarters and things will start to cool down because the demand is definitely coming back. Q4, I think from the walk-ins perspective, from overall consumer demand perspective, we see that returning. So there are green shoots definitely happening. And once that starts happening, I think everybody starts taking cognisance of it and starts correcting.

Naysar Parikh: Understood. Got it. And this quarter, how much revenues is in-house manufactured goods that we sold? And how will that change post this merger? So, what would that percentage be in FY '26?

Abhinav Kumar: See, in terms of our own manufacturing, luggage had not kicked in. So, luggage, obviously, there is nothing which is manufactured in-house, which has kicked in, in the last quarter. And backpacks would be. And I think now almost 70% of our entire backpacks is being manufactured in-house, right? And backpacks overall in the company is contributing to about 14%. So, you can do the maths. So about 10% could be in-house which would have come.

Naysar Parikh: And for FY '26, what do we expect that to be?

Abhinav Kumar: I think luggage, we are hoping that we are able to do at least 50% in-house, right? And 50% still would be sort of outsourced. So, looking at a 50% kind of a production in luggage. Backpacks will continue to be about 17-odd percent.

Naysar Parikh: Right. And so, do we start seeing margin improvement? I think maybe right now, because discounting and all that, it's all blurred and the percentage in-house also maybe not that high. But from next year, do we start seeing the gross margin improvement that you are talking about with the in-house benefit?

Abhinav Kumar: So, in terms of backpacks, for sure, even in our plans, our targets, we've taken a target of improvement in our gross margins when it comes to backpacks, because that unit is a set unit. It's an old unit. It's a well-oiled machinery. We're going to be getting that benefit from year one itself, for sure.

In terms of hard luggage, and I'm being very transparent and honest. My target is that we at least are at par with what we were buying today. It's the first year of operations. We'll be starting production in this month. So, we will take about three to four months to sort of get into the roof, get it as an well-oiled machinery here. There'll be teething issues, there'll be learning curves and all of that. So, factoring in all of that, and I'm saying that in the first year, even if we don't see a margin improvement, we should not see a margin depletion, right? We just want to be at par.

And if we're able to achieve that, if we are able to do something better than that, nothing like it. But at least we should be able to do this. And from next year onwards, you'll start seeing a remarkable, we expect a good sort of uptick in the gross margins even in the luggage category.

Naysar Parikh: Right. Understood. And last question, what percentage would be your corporate, institutional, defence, all of that in your quarter and your revenue?

Abhinav Kumar: If you will see this year, our institutional is about 7% of our overall turnover. As I had mentioned earlier that we are looking at institutional as a serious line of business now, and we've extending. So last year, we've invested into a full-fledged team for institutional. We're developing the entire distribution for institutional, and we've already appointed a few distributors. So, this year, we hope that we should be able to do a better job in terms of the institutional business.

Going forward, I see that as a good opportunity for us in the next, I would say, okay, I wouldn't want to exactly say whether it is three years or four years or whatever, but I see that as a ₹100 crore opportunity, the next ₹100 crore opportunity. So internally, whenever we are discussing, we're seeing, let's just look at which are the next

₹100 crore opportunities. So definitely institutional, the canteen stores business, the handbag business, all these are the next ₹100 crore opportunities for us.

Naysar Parikh: Right. And what was that institutional in this quarter, Q4?

Abhinav Kumar: Q4 would be, I think close to 5%.

Naysar Parikh: Okay. Do you include canteen stores as part of institutional?

Abhinav Kumar: No, we don't.

Naysar Parikh: What is that? Is that any meaningful this quarter?

Abhinav Kumar: Yes. So, we call it as government business. So overall, it's about 10%. We did about ₹27-odd crores in the entire year, and we're going at about ₹2.5 crores to ₹3 crores per month, wholesale billing.

Naysar Parikh: So, is our margins impacted because of that, too?

Abhinav Kumar: Yes. So, we've already applied for a price increase over there. And it will take a little time, but we've identified a few models where you need to complete one year of operations over there in order to start affecting your price increases, start affecting your sort of if you have to replace a particular model. So, you have to take cognisance of the fact that when had applied pre-COVID for the canteen stores business. And COVID happened and all of that, and hence it took so much of time. And in between, we were not able to change the file. You're not able to change either the product or its pricing or whatever because we have already submitted the documents.

So we said never mind, even if the margins are a little lower, we will still continue because we've now got the foot in the door. And overall, the response over there has been very good. So this is the year where we start sort of applying for model to model changes, price changes and all of that.

Naysar Parikh: So what would be the margin differential between retail and canteen stores roughly?

Abhinav Kumar: About 10% lower.

Naysar Parikh: 10 percentage points?

Abhinav Kumar: So if it is, for example, a 20% contribution coming from the other channels, the canteen stores department would be a 10% contribution margin.

Naysar Parikh: Understood. Okay. Sorry, I don't mean to. Practically if 10% is canteen stores. Last year, I'm assuming it would be miniscule, last year Q4? So, the growth and despite...

Abhinav Kumar: Last year Q4 is when we started.

Naysar Parikh: Correct. So, it would be miniscule in terms of revenue contribution?

Abhinav Kumar: Yeah. So, you can say that this quarter, we've done about close to ₹7.5 crores and last year, same quarter would be close to about ₹3 crores, ₹3.5 crores.

Naysar Parikh: Okay. So, retail alpha layer is still significantly lower, I mean, even lower?

Abhinav Kumar: Not significantly lower. So as I said, EBOs are almost flattish. But large format is about a minus 7.5%.

Naysar Parikh: Okay, all right. Thank you so much. Thank you. All the best.

Abhinav Kumar: Thanks, Naysar.

Moderator: Thank you. We'll take the next question from Deep. Deep, you can unmute and ask.

Deep: Can you throw some more light on the new manufacturing facility? Like what's the current capacity installed and what kind of revenue can it throw up? And what can it achieve in terms of production and revenue at full capacity?

Abhinav Kumar: So, the current installed capacity is, you're looking at about 25,000 pieces to 30,000 pieces in a month, that's your optimal capacity. Maximum capacity could go higher if you're running 24-hour shifts, all three lines running and all of that. But realistically, practically speaking, about 25,000 to 30,000 pieces a month.

See, in terms of revenue, it will be a little difficult to judge because if you're producing mostly in-house, it gets recorded as COGS? But if I were to sell it outside as a factory, it would be about close to ₹40 lakh to ₹50 lakh a month.

So that kind of revenue. If I'm doing the math, correct? Or is it ₹5 crores? Yes, it will be ₹5 crores. So about ₹5 crores a month. So, if we're selling it outside. But if you're obviously recording it inside, if it is primarily in-house production, it gets recorded as COGS? So, in terms of scalability, I think we've hardly utilised 10% of the land and everything available.

Luckily for us, in the same building itself and we had planned that we would be bringing an expansion. So, in the same building itself, we have a scope of adding at least another one to two lines further of production, at least two lines of production, so which can give us and every line can give you about 25,000, 30,000 pieces. So, within the same premises, within the same building itself, we'll be able to sort of go up to 75,000 to 80,000 pieces a month.

You can go 3x from the current capacity. And you will not have to substantially spend more in terms of CapEx, except for the machinery, not at least in the building. From a land utilisation perspective, we still utilise only 10% of, about 12% of the land. So there also, we could go 8x. So, I think we have enough scope for expansion over there in full capacity.

Deep: Okay. Understood. So, is there a warehouse as shown in the presentation, secondary location or is it adjacent to the manufacturing facility? And what is the potential storage capacity of this warehouse?

Abhinav Kumar: It's very closely, so it's not very far. It's about a 20-minute drive, and it's on the same route. So, it's not adjacent to the manufacturing. But yes, it's about a 20-minute distance. It's 1,10,000 square feet with a 12.5 meter clear height. So, in terms of capacity, it's a little difficult to explain because you have different sort of products and different categories. But just to give this thing, it should suffice our requirements at least for the next two to three years, four years. We don't need to sort of really expand the heads.

Deep: But then doesn't that increase the cost for movement of goods? Like what's the thought process for it being away from the plant?

Abhinav Kumar: The warehouse was signed earlier before we could commission on the plant. And the plant land has been allocated primarily for manufacturing purposes. It's a government lease. And hence, we've got it at a good price. It's in one of the industrial corridors, and you're not allowed to make a warehouse facility over there. And warehousing is always in the logistics hub rather than in the manufacturing hub. Both the operations are very, very different and separate.

Deep: So is this owned warehouse or leased? And what's the time line for the lease?

Abhinav Kumar: It's a leased warehouse and it's a long-term lease. So, nine years...

Deep: So, any time line?

Abhinav Kumar: Nine to 12 years, I think. I think three plus three plus three, it's about a nine-year lease.

Deep: Okay. One last question. With the IFF Overseas merger now moving ahead, what is the revenue run rate of FY '25? And what is the revenue potential from this facility? And would you be merging operations at the new plant being set up?

Abhinav Kumar: See, last year, IFF Overseas did close to about ₹43 crores, ₹44-odd crores. This year, we're looking at upping that, of course, because it has come down. Last year was tough. But this year, we're seeing, as I said, inventories have cooled off for a lot of our clients. New clients are coming in. Since the time we've taken over the management, we've started inducting new clients as well, derisking our business from one or two key sort of clients. So, we expect that we should be looking at least a 15% to 20% jump in terms of the overall productivity over there in terms of number of pieces.

Now how much of that we consume in-house and how much of that goes outside is yet to be seen. But we expect that we should be able to do at least a 20% jump in our volumes over there. In terms of management, if I have to answer, no, we would not be merging the management because we have a very seasoned able Plant Head over there. And both the operations are absolutely separate. So, neither the retail gets merged into that nor the manufacturing gets merged into this thing.

Deep: Understood. That will be all for my side. Thank you.

Abhinav Kumar: Thanks, Deep.

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

Abhi Jain: Sorry, just one more question.

Abhinav Kumar: Yes, yes, Abhi.

Abhi Jain: What I wanted to understand is that a negative LFL takes away from return on capital, right? It does not add to return on capital.

Abhinav Kumar: Yeah.

Abhi Jain: So over years, I mean, it does not help scale the return on capital. The best part about any retail or any consumer business is that your LFL growth drives significant part of your return on capital in the long-term. So, your investment keeps paying off. So, does that, I mean, concern you? Are you thinking about how can I get back to this LFL growth, what I need to optimise in my business? I mean, is that something that you're dealing with? Or do you have a plan around it?

Abhinav Kumar: Yes. So, if I talk about, see, large format or the department store business or the distribution business where we don't have a control over the store. It's difficult for us to sort of control things over there. If they are seeing a sluggish sort of tepid sentiment, all brands are sort of part of that. But over there also, we always are looking at how can we better the product offering, how can we better the experience from a consumer point of view in that store. So, while that continues to happen, EBOs is going to be a major sort of revamp. So, which I had mentioned, I think, earlier also that we're looking at revamping the entire Bagline proposition.

And actually, happy to share that we took an agency on board just to define the entire brand positioning of Bagline. We'll be rolling that out pretty soon. And I can say it's all my experience that it's looking amazing. It's looking great. Now we are in that execution phase. We'll start opening slightly bigger stores, not only to incorporate the number of brands which are increasing and which will keep on increasing, at least till the time we hit a certain number of brands.

But also, it gives a bigger store, gives the consumer, the overall, a much better experience. The overall experience is much better. You have a better assortment that you can offer to the consumer rather than offering a small assortment in a small store. So, I really see that this year is going to be a revamp year for our Bagline as a brand, as a store concept. So, we're completely focused on getting back into a positive like-to-like. And hopefully, we shall this year get back into positive like-to-like.

Abhi Jain: Just one question, and this is just a very qualitative question. I just wanted to understand from you, one of the competitors that you are there in the market, one of the competitors that you like, I mean, what you have learned over the years from them or any quality about them that you have learned and incorporated because of the past experience or whatever? Anything that you can share in terms of from industry that you have learned or whatever? I just want to...

Abhinav Kumar: I think we learn from all of them. And that's one thing that I feel whether it is as an organisation or whether it is as a human, your learning antenna should always be open. And I think all the competitors, they are all good in their own respect.

Safari has changed the whole landscape of the luggage industry. At the price that now that they're selling, I think the unorganised is getting marginalised, coming lower and lower, lower and lower as a percentage of the overall industry, which means that you have somebody who's coming in early in the branded fold. And if once you come in the branded fold, I've always maintained that it keeps on growing from there because the aspirations always keep increasing.

VIP teaches us what not to do, right? And Mokobara is something that I really feel that they've done a good job. Yes, they have burnt money. It's a different ball game altogether, private equity doing all of that. We are probably, many a times we're too focused on the bottom line. But I think they've shackled a lot of things. So, we take a lot of cognisance of that.

And hopefully, you will see something happening from our side also pretty soon. I don't want to speak too soon about it, but we are looking at upping our e-commerce game, because clearly, what comes out today, as of today is that e-commerce, of course and you'll see most of your, I was just going through even Arvind's investor presentation, and more than 25% or almost close to 25% of their overall revenue at that scale is now coming from e-commerce, where traditionally, they've always been offline heavy.

So, I see that e-commerce for sure is going to grow, keep growing. Digital is going to keep growing. And hence, we're also now investing a lot in the digital space. And second is, so either the consumer is coming to a EBO, a stand-alone store, which gives the consumer that experience that he wants or so either it is experience or it is convenience.

So, e-commerce is convenience, whereas a good standalone store is experience. So, these two are the pockets where the thrust is going to be from our side also. And you will see a lot of green shoots happening this year in e-commerce. We're looking at really, really raising the bar a little higher in terms of e-commerce. And the other competitors, as I mentioned, whether it is Mokobara or whether it is Nasher Miles they've proven this that there is a sizable business that you can build from these channels.

Abhi Jain: Thank you so much. Always love chatting with you. And love your honesty. Thank you.

Abhinav Kumar: Thanks, Abhi.

Moderator: We take the next question from the line of Rupesh Tatiya. Rupesh, you can unmute and ask.

Rupesh Tatiya: Hi, Abhinav. My first question, Abhinav, is what is the kind of plan to open the number of stores, how many stores we are looking at, which areas? And maybe briefly, what are your parameters or strategy to select an area where you open the store?

Abhinav Kumar: So, what we want to do with Bagline this year is, as I said, we are revamping. So, we're going to be opening a larger store. So, I want to open one flagship store of, say about a 2,000 to 2,500 square feet, that's one flagship that we want to open. But between 1,100 to 1,200 to going up to about 1,400, 1,500 square feet carpet is something that we are looking at sort of opening. This year, you will also see a few airport stores coming up. Have my fingers crossed. We're very, very hopeful that we should be able to finalise the couple of airport locations.

Now having said that, we first want to see, as I said, that we are sort of implementing a change in the overall brand perception, in the overall retail experience. It's going to be a complete revamp. So, we first want to do a couple of pilot stores, three to four pilot stores, take our learnings and then go all out and opening more such stores. But still give or take, I would say that this year, we should be able to open about 10 to 12 stores.

Rupesh Tatiya: Okay. So, I mean, I'm looking at your geographical distribution and one, I mean, sort of issue I see that you have very limited presence in Bangalore, very limited presence in Hyderabad, no presence in Tamil

Nadu, Pune, maybe one or two stores, Ahmedabad only four. How do you say, major airports and major sort of salaried class segments. Maybe you can address that, how did we end up here? What are we doing to address it?

Abhinav Kumar: Yeah. So as mentioned earlier also that South was a virgin territory for us. And only after that, we've started opening stores in South. In fact, one of the airport locations is going to be Bangalore. Very hopeful that we should be able to get that and convert that. So, we are looking at opening more stores in Hyderabad. Hyderabad seems to be a very, very good market today. In fact, we are also looking at not only a Bagline, we are also looking at a Juicy Couture store over there.

Bangalore, traditionally, while you all understand that, yes, it's the IT city and a lot of salaried class and high salaried class people are there. We already have two or three stores in Bangalore. And I wouldn't say that I'm extremely happy with the kind of throughput that we're getting over there. So, I want to be a little more sure of our product offering that we're giving in Bangalore and whether it is able to resonate with that consumer. Once we are sure about that, then probably, yes, you will see more stores happening in Bangalore. But Hyderabad for sure, we're looking at Chennai for sure. These are markets that we are definitely looking at.

We don't want to go too much into high street locations right now. So, I want to stick to mall locations, right? So, if it is an existing mall, it's a little difficult to find space over there because until unless the churn is happening, you don't many a times get the right location that you want. If it is a new mall, for example, we are very, very close allied with Marketcity Phoenix. And any new mall which is coming up, we are already a part of in that mall.

Rupesh Tatiya: Okay. And then these 48 stores you have, what kind of sales would they have done in FY '25?

Abhinav Kumar: As I said, it's about 10% of our overall turnover.

Rupesh Tatiya: So, it's probably ₹50 lakh per store per year, roughly ballpark.

Abhinav Kumar: Actually, if you look at there are two figures over here. One is you have COCOs, right, which is Company Owned Company Operated, where you record the sales at retail. And then you have Franchisee Owned Franchisee Operated stores where you record the sales at wholesale.

So right now, the figure that I quoted is basically the figure which goes into our balance sheet. If I have to transform that into retail overall, we would have done close to ₹40-odd crores at retail this year. So roughly, you can say that our stores average is about a ₹80 lakh per annum kind of a store.

Rupesh Tatiya: And how does that compare with, let's say, industry with, let's say, Safari or American Tourister or I don't know, pick one maybe?

Abhinav Kumar: See, they have a much larger base. But I think we would fare sort of better than a lot of these guys, because it depends on the store sizes, Rupesh. So we have stores of 300 square feet also. So our biggest store currently would be about 600, 700 square feet, right? So you're averaging about 300, 400 square feet. So if you do the maths, 400 square feet and generating that kind of this thing. So from an SSPD perspective, it's a sales per square foot per day perspective, I think it would be faring better than most of these guys.

Rupesh Tatiya: That's interesting. And I mean, I didn't find what was our sales and marketing spend in FY '25? And what is your thought process around that number?

Abhinav Kumar: See, FY '25, we sort of controlled on our marketing expenses, because once we realise that it's not going as per the overall sentiment is not as yet back and hence, we contained our overall marketing expense. But going forward, you can safely assume which was less than 3%, right, around 3% is what we spent in terms of marketing. But going forward, we can safely assume that I would take the marketing up to about 4% to 5% in terms of the spend.

Rupesh Tatiya: Okay. And then another question, is this online channel is 45%, 46%. One is, if you can give some idea of the margin across online modern trade and traditional trade, either at gross margin or EBITDA margin? That is one. And this high online percentage is a double-edged sword. You are adopting newer ways where people are shopping newer channels. So that's good in a way. But we are seeing this owner of distributor versus owner of brand sort of tussle playing out. And eventually, I see that the owner of distribution has a higher power is at least my observation. So how do you...

Abhinav Kumar: I didn't get this last part, owner of distribution and owner of brand that…?

Rupesh Tatiya: You are owner of brand, right? You're owner of Tommy Hilfiger or different, different brands. And then owner of distribution is, let's say, Amazon or Flipkart or DMart or whoever, right, owner of distribution. Eventually, I'm seeing that the owner of distribution has a lot more power is my observation. So how do you make your brand far more compelling so that the user forces sort of owner of distributor to pick your brand or promote your brand, right? So this is one slightly longer question. And then you can give the margin across three of the trade channels.

Abhinav Kumar: See, margin across all channels, I'd answered earlier, right? So e-commerce, of course, is there, the margin realisation is slightly better, followed by the offline versus online. Let's actually look at it offline versus online, because offline, the matrix pretty much remains the same, whether it is COCO or a FOFO or LFR or whatever, now how you recognise the revenue and all of that makes a lot of difference. But if you look at it at nutshell level, offline all behave very similarly. E-commerce delivers you a better margin. But the difference today in terms of the contribution margin would be to the tune of about 5%. That's the difference in the play.

Rupesh Tatiya: To be clear. You're saying at contribution margin level, e-commerce is 5% higher margin than offline?

Abhinav Kumar: Yes.

Rupesh Tatiya: Okay.

Abhinav Kumar: Yeah. Now answering the other question of whether a brand owner and the whole power tussle. I think power tussle - so sir, what I mean is, as soon as you grow up a bit in life, there's a power tussle everywhere, right? And it's how you win that power tussle. Whether you win it by a strong brand, whether you win it by a strong product proposition, I believe that it's all part of the ecosystem. Tomorrow, a distributor would need a brand and a brand would need a distributor. So I don't think that whole argument holds sort of true. If you are dependent only on one distributor, yes. But we are well spread across Myntra, Amazon, Flipkart, your Tata CLiQ, Nykaa, we are available everywhere.

And even though whatever the new players and everybody is doing, we still remain as a matter of fact, in our category, we still remain one of the best brands over there and one of the largest players over there.

So we're very, very strongly poised with our e-commerce. So I don't see that as a worry point at all.

Rupesh Tatiya: Okay. And then, my final question is, I mean, weddings, I think is such a large driver of spending into all these handbags, luggage, and all of that. And if you can give some sense of your strategy around how to capture that spend?

Abhinav Kumar: So wedding is a very, very integral part of our business, and it's season-on-season, right? So if you visit our stores or if you see, we'll have wedding offers, wedding edits and all that already happening. So not sure exactly how would you...

Rupesh Tatiya: Maybe if you can share one or two anecdotes or maybe you can point out to some state where in wedding market, you are like really strong. You're like a market leader in some state, maybe Madhya Pradesh or market leader for weddings, something like that sort to get a feeling of how we are capturing the wedding-related spend.

Abhinav Kumar: Okay. So I'm actually not sure how to exactly answer that, Rupesh. Yes, if you're asking that are we working with wedding planners?

Rupesh Tatiya: No, no, no, that is not what I'm asking. I mean how in, let's say, when a family is thinking of spending on a wedding, how does our brand fare? What are you doing to make our brand more compelling when people are looking to spend for weddings?

Abhinav Kumar: Of course, you would want to...

Rupesh Tatiya: I think in VIP's case, I know, for example, Bihar and Hindi Heartland, VIP, I think is a very strong like brand and you kind of go and buy like five, 10 bags to give when your daughter is getting married, so how are you looking to enter that market?

Abhinav Kumar: See, we are at a different price point, Rupesh. So while a VIP set, you will get for a ₹4,500 starting to upwards to say ₹6,000, ₹7,000, ₹8,000 for a set of three pieces. While ours would be ₹25,000 to ₹30,000 per set. Again, as they are consumer classes, they are wedding classes also. So we have people walking into our store and buying the latest. So we have a collection known as Jazz, which is a TH, which is a monogram sort of a luggage. And the set of three costs upwards of ₹50,000 over there. And it has a particular brown colour, which is very similar to what you see in the luxury brands like Louis Vuitton or those kind of brands.

And that we had launched it thinking that this should do well in wedding. And it is actually in the entire North region, Punjab. In fact, we've done pretty well even in Gujarat, for example, with Jazz as a collection. So, once you have to buy, once a family has to buy a wedding luggage, they will obviously go into the market, look at according to their budgets and everything, what we can buy. And we are definitely part of that whole set. So, we are there in the consumer funnel for sure.

Rupesh Tatiya: Okay. Thank you for answering all my questions, Abhinav. Nice chatting with you.

Abhinav Kumar: Thanks, Rupesh.

Moderator: Thank you. We'll take the last question from the line of Naysar Parikh. Naysar, you can unmute and ask your questions.

Naysar Parikh: Hi, sorry, Abhinav, one more question. And we discussed last time also, but I still want to understand that if you look at something like a Safari, even at the scale of maybe ₹400-plus crores a quarter, they're still doing whatever 10% growth. Maybe obviously, the margins are affected, but they are still going out and capturing volume, right? What is stopping us from doing the same thing? Or why are we not able to do that at a ₹60 crore scale, while we are growing, I mean, like you said, LFS we are declining 7.5%, EBOs, we are flat. So, what is the reason for that?

Abhinav Kumar: Like to Like. Otherwise, large format, if you see, we would have done more than, I think, 12% kind of a growth. Large format, we are at a 13% growth from last year. EBOs, we are about at 7% from this.

Naysar Parikh: Just volume you are saying?

Abhinav Kumar: Value.

Naysar Parikh: Value. Okay.

Abhinav Kumar: Yeah.

Naysar Parikh: Okay. But I mean, I'm just saying overall, I don't know how that math then adds on, but I'm just saying that overall, if you look at it, if I exclude the chain on institution and government, we are practically flat to down, right, on a retail basis. So that's what I'm saying that and

Safari at that scale is growing 10%. So, I'm saying that are we being right now cautious? Do we need to think differently? Are we not at a particular price point where we should enter? Because it is almost two years and our top line is in that ₹60 crores, ₹65 crores, ₹70 crores maybe range. And we are there despite the new brands we've launched in two years, despite entering the channel, the canteen stores, our top lines have not crossed ₹65 crores, ₹70 crores, whereas Safari at that scale is growing 10%.

Abhinav Kumar: See, I wouldn't want to compare myself with Safari. I think that's a wrong comparison. Safari is in the mass market. Mass market, the volume growth and the value growth, whatever, should not be comparable to a premium market player. And to get into that mass category, A, we don't have the brand for it, number one. Neither I can take Tommy Hilfiger to that kind of a price level nor we can take Benetton to that kind of a price level.

Secondly, Safari is playing on its own production. It is playing more as a commodity. You have a large scale of production. Your production is now getting optimised, because you're throwing up large volumes. And whatever optimisation in production that you have been able to do, you are passing all of that to the end consumer. That's not how a brand behaves. That's typically a commoditised sort of a behaviour. So...

Naysar Parikh: Right. So, what you had mentioned, I think, last time also that once you get your production and everything, which hopefully now should say happen starting this year. So, in that case, should we expect that you will also come up with, and you had mentioned this last time. So, what is the plan on maybe pushing your private brand or a mass market brand and utilising and leveraging your production? Because at the end, we have to look at whatever play we do. And you are also trying to add brands across the spectrum, not just luxury at Tommy? So, we are also looking to do a mid-premium or a premium to luxury kind of a play and not just stay in the luxury segment. And eventually, we have to get growth and ROCE. We can't just be saying we are going to be a luxury play and not get ROCE.

So, my question is, so with the manufacturing now coming in, what is the strategy to bring in some new brand and kind of adapting ourselves to the realities of the market rather than waiting for maybe one year, two years that the luxury market will improve?

Abhinav Kumar: For sure, see, I have mentioned this even in the past that once the manufacturing play starts to happen, you will see a lot of things changing. But the fact of the matter remains that the manufacturing has yet not kicked in. Let it kick in. And taking decisions only on the basis of next quarter, what I'm going to deliver, I don't want to spoil the entire future. So, it will happen with its own sort of due course of time. We are committed to growing, and I 100% agree with you that our eyes should be on growth, on ROCE and all of that. In spite of having a tough year, I think we've been able to still perform decently well.

Yes, Today, when I think about Safari - maybe, I'm not sure - I haven't heard it personally, but I heard that he said it right there on the con call, like, "Yaar, you know, they will sell a bucket and luggage together at the same price. I don't want to play that game. It's pretty simple. In terms of brands that we want to add, we are adding more brands. And I think these are very, very strong brands, which are going to give us a much better footing in the market.

So, growth, you will see that coming back in this year that I can promise. But whether we go the Safari route, whether we do the private label route from our manufacturing or not, give it some time. Let the plant first become functional.

Naysar Parikh: Okay. Okay. Fair. I think if in the next one or two quarters, if you could, and that would be very helpful, help to lay out once the plant is operational, what is your strategy, especially to say that how do we get back to that 20%, 25% growth given that we are on a small base and despite whatever the market across different segments is doing, but then how do we adapt to some realities versus saying that we'll hope that the market should improve on the luxury side this year?

I think that would help if you could lay down some strategy which we are proactively taking to say that, okay, we think the mass market is working right now and these are the steps we are taking to kind of enter into that market because we are not a single brand. We are a portfolio of brands. And so, we can create or add brands across different price points depending on where we see the market is going or something like that. I think that would be helpful and will also give us an idea of how we should think about the next couple of years.

Abhinav Kumar: Sure. So, this year is going to be a very, very crucial year. And you see a lot of these strategies panning out. You'll see new product launches even in Tommy as a brand. We'll be bringing our first PP

Luggage. We've not done a PP Luggage in Tommy till now. So, we'll be doing that. We are strengthening Benetton. We are strengthening the entire digital space.

So plus, we're looking at adding a couple of brands further this year. So, this year is going to be a very, very crucial year actually. And I wouldn't say that we have a mass, mass play, whether we are able to do a mass, mass play in this year, but mass premium is something that this year, it's a part of our strategy that we'll be getting into the mass premium sort of segment. And we are very, very hopeful that we should be able to see a lot of traction happening over there. And yes, as we said, our target this year is to grow at a 20% plus revenue.

Naysar Parikh: Thank you so much. That is very helpful. Appreciate you answering all the questions. Thank you.

Abhinav Kumar: Thanks, Naysar.

Moderator: Thank you. We have one more question from the line of Ritesh Shah from chat. Ritesh, you can unmute and ask? Ritesh?

Ritesh Shah: Hi, Abhinav. Thanks for the opportunity. My first question is, what do you make of MOP for your firm and MOP as a practice in the marketplace?

Abhinav Kumar: Sorry, what?

Ritesh Shah: Minimum operating price.

Abhinav Kumar: So, every brand and every product has a different MOP. So, we of course, give that MOP to all our channel partners. And in fact, last year, that's the reason I'm saying that last year, we actually consolidated even on the e-commerce. There were particular SKUs or particular articles which were sort of very, very high volume, but the MOP guidelines and all that would not be properly being adhered to.

And hence, we had to sort of in certain cases, pull the plug on that ascend or in certain cases, control the overall supplies over there, right, so that we were able to check on it. And happy to say that all of this is now in place. So, this year was the year of consolidation. And we've been successfully, we've been able to do that across channels. And hence, this year now, the coming year, we are targeting a robust growth across all the e-comm platforms. I hope I've been able to answer your question, Ritesh.

Ritesh Shah: Yes. So that was pertaining to the company. And specifically at the industry level, how do you see this particular variable is used by various players in the marketplace?

Abhinav Kumar: I think in terms of the industry, I don't know. It will be very difficult for me to comment on how well are they able to sort of map the MOP because I've seen luggages being sold at ₹960 from certain brands. So, I don't think they were able to exercise the MOP very well. If I'm getting the question right, you can correct me, I think you're asking the MOP on e-comm platforms that all brands try to operate with?

Ritesh Shah: Yeah. Also, in GT basically, because basically, SKUs are not same, though they are similar. And to avoid killing of the GT channel, I think companies have resorted to MOP even in the traditional channels. And only few companies have done it only probably for select SKUs. Now do you think is that the way forward a more disciplined approach? Or is it not something which will sustain in the marketplace?

Abhinav Kumar: See, the difference is offline, again, in the distribution channel and when I say distribution, I'm not talking about large format because see, whether it is large format, if it is a counter which we can control or which you are manning? Whether it could be your own store or whether it could be a department store, where it's your sales rep standing and selling the merchandise, of course, the price control is with you.

It's just the dealer and distribution network, which we call as traditional trade, D&D. Over there, you pass on a margin to the retailer. And now the retailer is, they also have to compete with e-comm players and all of that. So, they do a varied sort of a discounting. And I don't think anybody, any brand has been sort of able to control, control that. But I still feel that, that is not brand damaging. Because though it's traditional trade, it's India, we are still a very traditional trade-heavy country rather than a modern trade-heavy country.

Over there, you know, when Sharma ji comes, we just say, “Let’s give him a small 10% discount.” That’s, you know, that’s been ours, you know, sort of, it’s embedded in the culture. You know, it’s not about the discount itself. In general parlance, you just say, “Yaar, at least reduce it a bit for the sake of goodwill or respect.” So, it comes from that cultural this thing. But that's not brand damaging for you. So, I don't see why you would be doing sort of MOP or whatever over there. If you are already giving a discounted price, you're announcing a 60% or if you're giving a 60% discount to the dealer, you're saying that the consumer discount is 60% and then your margin and then you have this business, if you're playing that strategy, then you can't complain about it. You've already given it at a discounted price to begin with.

But when it comes to online versus offline, there is a definite change in the intake margins because of the layering that you have in physical retail. So, you'll have a distributor, you'll have a master distributor, then you have a stockist, then a distributor, then a dealer.

And because there are so many layers, obviously, there is a margin slippage at every layer, correct. So hence, your net margin sell-out in the offline is a tad higher. Again, when it comes to EBOs or a franchisee store. Today, rentals in India are pretty high. So, the rent-to-sale ratio is not that great. We are one of the lower ones when it comes to rent-to-sale ratio across in the world.

So, because of that, again, the margin play is higher, whether it is in terms of costs or whatever. Whereas if you come to e-commerce, there is a reason why you say it's a D2C. So, either it is if you're using these marketplaces, you're giving them a fee, you're giving them whatever some bit of margin, which is still lower. And then you are directly shipping it to the end consumer.

And hence, the margin slippage is lower. And in order to create a parity, If I launch the same product offline, and if I have a targeted contribution, say, I need a 20% contribution, I'll have to price that product higher in offline while I'll be able to do that at a lower consumer price in e-commerce. That's the reality of it. So, if I try to bring this product to the offline market at the same price, then I’ll definitely have to take a hit on the margin. And hence better strategy is to sort of segregate both the lines. And you still have your wider range available to the end consumer because at the end of the day, our end consumers should not suffer, but you don’t drive volume on that product, you drive volume on the product that’s meant for e-commerce. I hope I've been able to...

Ritesh Shah: Yeah. Sure, Abhinav. Just last one question. It's in relation to one of the prior questions. If you had to pivot to a product offering where the median price point is significantly lower, I think to what I read from what you indicated is it's not something that we aspire to be or we would like to be on the premium side of things. But the thing is over here, the market might not be growing at the same rate as that of the bottom or mid-tier of the pyramid.

And the competitive intensity also over there could be significantly higher. So, it looks jazzy to be at the top end of the pyramid, but fundamentally, we are fighting against far more forces as compared to somewhere in the mid or at the bottom end of the pyramid. How would you reflect on that?

Abhinav Kumar: So, it's not that the top end of the pyramid is not sort of moving. Yes, I completely hear you that the belly of the market is at the bottom end of the pyramid. But it's a very different ball game to play that, I think, Ritesh. We have licensed brands paying royalties on those brands.

We pay more in royalty than their entire EBITDA, right? So to play that price game, you have two or three deterrents. One big deterrent is, okay, if your brand is already positioned in a premium sort of a segment, the brand owners also will not allow you to take the pricing down. Number two, you have your royalty constraints. Number three, you did not have your own manufacturing. So, there is a margin slippage to a third-party manufacturing. Now with all of these constraints, how will you play that - if I start selling the set tomorrow at a loss for ₹5,000, volume growth will come, it will come very well.

Ritesh Shah: Yes. So it is more because of our constraints that we would not want to pivot because if you look at it from the other side, say, if I am your EBO, my economics honestly goes for a toss because of the constraints what the company has. Then in that aspect, how will my...

Abhinav Kumar: No, in fact on the contrary, EBO of, so for example, let's talk about, if you're talking about Safari, EBO of Safari, today, a lot of franchisees of Safari are coming to us because they are bleeding to debt. How much of volume growth will you be able to do? For an EBO, your core radius is two kilometres. So every year, what kind of a volume growth will you be able to do? Is the population doubling every year of that community of that two-kilometre radius?

No. So you will have to go at a higher ASP, to drive a value growth. That is not happening in the EBO. So those EBOs are actually coming to us, be it selecting and discriminating. There is a particular street where you have a VIP store, you have a Safari store, and then we have a Bagline store, same building. This is a dealer convert. We are doing thrice the sales that these guys are doing.

So you're not comparing apples-to-apples. If I tell you two Apple plus two Guava, does it become four Apple or four Guava or four fruits. And I've said this earlier also that we are not a luggage company. We are a fashion lifestyle company. We are a lifestyle accessory company. Whether you grow at a 20% or 15%, even at that base and you let your EBITDA margin slip by 6%, 8%, let's see in the long run how it might be a good strategy. But we are not in that bracket. So, if you go to a Shoppers Stop and say that DMart is growing like this, but you guys are not, they're both different.

Ritesh Shah: Yes. Fair. Thank you. Thank you so much, Abhinav for your answers. Probably I'll come over and see you in person someday. Yes. Thank you.

Abhinav Kumar: Thanks.

Moderator: Thanks, Ritesh. That is the last question. Abhinav, would you like to give any closing comments or do we end the call?

Abhinav Kumar: No, I would just say that, yes. I want to give a closing comment. And I want to say that, see, it's been a tough year for the overall industry. And I would still say that all the investments that we've done in the background, we've been working very, very hard. The team has been working extremely hard in putting the pipeline right. But a few things take time and we should give it that time.

We'll be pretty soon enough. I think we've delivered more than we committed in the year to before this. I think for three straight up years, we delivered more than we committed. This year, in the beginning itself, I said that the outlook is not very strong. I've been very candid, very open, very transparent. And I've said this that we are making a lot of investments in the background and pretty soon, we'll be back. But I'll not be perturbed by one quarter, one year going here, there, not being able to do a 20% kind of a growth or whatever.

We are a healthy company. We are a profitable company. We are very, very well poised in the market. We have all the right ticks in place. So, it's just a matter of time where we'll be on the highway again. So, this year itself, I think you should be able to showcase a lot more strength that you would have seen in the last year. So yeah, good end up on that. Looking forward to a good year, looking forward to adding more brands, very, very good relevant brands in this year and doing a good business.

Vinay Pandit: Sure. Thanks. Thank you to all the participants for joining on the call, and thank you to the management. This brings us to the end of today's call. Thank you, Abhinav.

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