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Date: 10th February, 2023

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

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

Symbol: BCONCEPTS

Scrip Code: 543442

Sub: Transcript of the Investor Meeting held on 07th February, 2023 for Q3 & 9M FY23

Dear Sir/Mam,

With reference to the above captioned subject, We Brand Concepts Limited, herewith attaching the post result conference call transcript for the investor meet held on 07th February, 2023 for Q3 & 9M FY23.

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

Yours Sincerely,
For Brand Concepts Limited,

Swati Gupta
Digitally signed by Swati Gupta
Date: 2023.02.10 15:11:59 +05'30'

Swati Gupta
Company Secretary & Compliance Officer
Mem No. A33016

BRAND CONCEPTS LTD

Q3FY23

POST RESULT CONFERENCE CALL

Management Team

Abhinav Kumar – Whole Time Director & CFO

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Vinay Pandit: So ladies and gentlemen, I welcome you all to the Q3 FY '23 Post Earnings Conference Call of Brand Concepts Limited. Today from the management we have with us, Mr. Abhinav Kumar, Whole-Time Director and CFO.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements. These forward-looking statements may involve risks and uncertainties that may cause actual development and results to differ materially from your expectations. Also, this is a reminder that this call is being recorded.

I would now request the management to talk a bit about their business, the performance during the quarter, any key highlights, post which we will open the floor for Q&A? Over to you, Abhinav.

Abhinav Kumar: Good afternoon, everyone. And thanks a ton for taking our time and joining this call in so many numbers. Really heartened by that fact. So as you see we given our Q3 results, and I was asked this question after we had done our Q2 quarter that is it just one of those blips? Or do you see that such kind of this thing is sustainable? And I'm happy to share that. We've done a good Q3 quarter, numbers are sustaining.

One thing, I think, I would like to -- so we've done almost a 70% year-on-year growth from last year same quarter. And EBITDA levels have risen by almost 100%. PBT levels have risen by 101%. And obviously, PAT levels have again risen by more than 100%. So in terms of growth, I think we've delivered good result till now. Till nine months, if I look at, again nine month results are again quite nice. And we've grown by -- in terms of sales, we've grown again by more than 100%. EBITDA levels have as and more than doubled ourselves. And EBITDA levels, I think we've more than tripled ourselves, right in terms of EBITDA levels in the nine months. So pretty happy to share these results with everyone.

Another good aspect that I would like to highlight from the company's perspective is that it's not one channel or one particular department firing, we have, in fact, grown on all the fronts, all the channels. So offline, as well as online, our distribution, large format stores, our EBO store, all of them have contributed to a good growth. So very, very happy about and all round sort of 360 degree approach and development on that front.

Another happy news that we shared in the month of December itself was the announcement of as had promised that we would announce at least a new brand signing. And we've already announced our association, our signing of the brand Aeropostale for Indian market. There are -- we've signed them for all the categories that we represent, which is Travel Gear, small leather goods, and women handbags, all the three categories we've signed.

At the same time, we've also signed an experimental category of socks with them, which is just an experimental category. We want to see, we want to keep experimenting. We want to see where we can go with that. So happy to share that news as well.

So overall, yes, I think all good. We are on a good start. We are on a good wicket. And we hope to continue this journey going in the future as well.

Now without much ado, let's start the Q&A because I'm sure there would be a lot of questions.

Question-and-Answer Session

Moderator: Sure. Sure. Those who wish to ask a question, use the option of raise hand. We have the first question from Devvrat. Devvrat, you can unmute and ask your questions.

Devvrat Himatsingka: Hi, Abhinav?

Abhinav Kumar: Hi, Devvrat.

Devvrat Himatsingka: Congratulations on a great set of numbers. So just wanted to understand, so QoQ the numbers are kind of flat? Because like, would -- should one assume that Q2 was more of seasonal growth, which is why we can see no growth quarter-on-quarter?

Abhinav Kumar: See if you see from Q2 to Q3, yes, there is a minimal growth of 3% to 4%. But see in retail an ideal comparison will never be a quarter-to-quarter, the ideal comparison will always be from the last year's preceding quarter, last year same quarter, because, yes, retail has a seasonality of its own, right. And if you look at certain of our peers, also, they also or everybody in the retail industry, they showcase similar sort of a trend. So it's not fair to compare quarter-on-quarter. But what I would still say is that Q2 for us was a very, very good jump from Q1. And we've sort of been able to sustain that momentum.

Devvrat Himatsingka: Okay. And secondly, just wanted to understand, this new brand that you've signed Aeropostale. Now, in your previous calls, you had mentioned that you will have one lightweight brand and one heavyweight brand. So this would -- Aeropostale would be a lightweight or a heavyweight?

Abhinav Kumar: Aeropostale for us is a lightweight brand, this would be a lightweight brand for us.

Devvrat Himatsingka: No, so what kind of revenue -- what -- if it's possible to give any kind of projection like? Or do you have any targets in mind of what kind of revenues you can do from this say FY '24?

Abhinav Kumar: See FY '24 would be a little difficult to predict. Because, first, so any new brand that we sign, Devvrat, we will -- the entire product development process of design, submitting those designs to the license or getting the approvals, and then post that creating your sample set. The sample sets are again sort of approved. And then you get into the final leg of placing the orders to the factory for the first time. So all mold development, new development. So it typically takes between six to nine months, initially.

So FY '24, I don't know how much of this thing would be seen from Aeropostale, we would probably get about six months of sales window. FY '25, I think would be the real benchmark where we would reach with the brand, right? That'd be the first full-year for the brand.

Having said that, I had mentioned this in my earlier calls as well, that a lightweight brand for us. Our outlook is that in say, four to five years -- five years of horizon, we look at around INR 50 crore to INR 100 crore retail, right, where our wholesale is plus 50% of that retail. So the turnover that we see is INR 45 crores is primarily wholesale. So which would mean that we would have done INR 90 crores of turnover at retail.

So excuse me. So if you're looking at any lightweight brand doing about between INR 50 crores to INR 100 crores of turnover in terms of retail. So that would be the outlook even for Aeropostale.

Devvrat Himatsingka: And are we on track to sign on the heavyweight brand, as you had earlier indicated that you wanted to do one lightweight, one heavyweight? So are we on track to sign one more heavyweight by say end of this quarter?

Abhinav Kumar: Yes, we are.

Devvrat Himatsingka: Okay, okay. That's it from my side, really good to see your margins improving. And so hope, we are able to continue the show. Thanks so much.

Abhinav Kumar: Thank you. Thank you, Devvrat.

Moderator: Thanks, Devvrat. Anybody who wishes to ask a question, please use the option of raise hand. Rajiv, you can go ahead and ask your question.

Rajiv Gaonkar: Hello. First of all, congratulations for your good sets of numbers.

Abhinav Kumar: Thank you. Thank you, Rajiv.

Rajiv Gaonkar: Yeah, my first question would be your current rate indicates that you will cross INR 150 Cr to INR 160 Cr for this year. Is that correct?

Abhinav Kumar: Yes, the current rate definitely suggests that.

Rajiv Gaonkar: Okay, so the next would be. Where do you see yourselves in next year and the year after? What is your vision for FY '25?

Abhinav Kumar: So, as I had said earlier also, Rajiv, and I would still continue in the same in that. For this year itself, if you see from INR 86 crores of last year, I had given an outlook of around INR 136 crores. Whereas in nine months itself, we've done INR 122 crores almost, right. So, for sure we are at a pace where we would have beaten the estimates that we have given.

Continuing on the trend, we look at 30% kind of CAGR to be maintained for the next two to three years. And that's the outlook that I would like to still maintain. And I think we should be able to sort of achieve that kind of CAGR.

Rajiv Gaonkar: Yes. My next question would be, till how far do you see margin improvement at EBITDA and PAT levels?

Abhinav Kumar: So, in fact, going forward, the way we have created our budgets, Rajiv, and then being very transparent and honest is that, the moment you sign a couple of new brands, initial phase there might be certain margin pressures as well. Input costs are also rising everywhere, now when you have a brand like Tommy Hilfiger, of course, your premium brands are able to command a certain price positioning in the market, right? Certain brands that you sign, which are more in the mass premium segment, or an Aeropostale, which might be into a value price segment, you might not be able to fetch the same kind of gross margins, right.

And hence, there might be a margin pressure from a gross margin perspective. Now till these brands also scale to a certain level, they will entail a certain amount of cost structure to be built in. And hence, I have always maintained that while we are, generally if you're growing at a 30%, 35% kind of a CAGR. And in fact, from last year to this year, if I see we've grown almost double, right. Excuse me. So, one tends to see a margin pressure, one still tends to see a percentage wise gross margins coming down, because you aiming for a high growth.

But what we would like to maintain or what I would like to maintain is that even with this high growth, we would be in a similar vicinity. So I'm not saying that we'll marginally, all these gross margins or your EBITDA levels are marginally going to keep going up. There are certain expenses, which we've planned your -- towards product development, infrastructure building all of that. And on top of it, the brands will not have the same kind of gross margins, because you'd be playing more in the Value segment.

So, but economies of scale will also come into picture. So keeping all of this in mind, I would still give an outlook that we would be in this sort of a vicinity of around 6% kind of a pattern.

Rajiv Gaonkar: Okay, okay. Thank you, sir. Thank you so much.

Abhinav Kumar: Anybody…?

Vinay Pandit: Thanks, Rajiv. We'll take the next question from Saptarshee Chatterjee.

Saptarshee Chatterjee: Yeah. Good afternoon sir. Thank you for the opportunity. Sir, because I'm new to the company, I'd like to ask a couple of questions on the like channel distribution, as you've said that almost half of the distribution is through online channel. And then therefore, part one is what would be the margin differences across channels? And second, within online, how much percentage of revenue is spent every year on the ad and sales promotion on the online channel and how they measure on the return on ad spends?

Abhinav Kumar: See, online, as you see is 50% of our business, the gross margins over there are tad better. So different segments have different sort of gross margins. But I would say the variance is about plus to minus 5%. And we calculate it more from the contribution perspective. So from your gross margin, we reduced the direct expenses. And post that we come to a contribution levels, at a contribution level, if you will see. So if I roughly translate that at the EBITDA level, I think the variance would be close to plus minus 1.5% to 2%. That kind of variance would be there. Not more than that. Number one.

Number two, in -- see as a company, overall, if you will see our spend on marketing is not that high. So if you will calculate the percentages, in these nine months, you'd have spent totality about 2.2% in terms of marketing, right, which is across all the channels, so whether it is online, whether it is offline, everywhere. And the reason for that is we are in the licensing business. I've always said this, we maintain this. That, the reason we are paying a royalty to these brands is because we are not in the business of building the brand. We're in the business of building the category for that existing brand, right. And hence, we don't spend too much on brand building activities.

Going forward. Yes, the marketing spends might increase. But again, overall level pay 3% to 4% upper in our marketing spend. I don't see that ever crossing. So I hope I've been able to answer your question.

Saptarshee Chatterjee: Yes, yes. Very well listed. And secondly, I'd want to understand that the 25% to 30% kind of CAGR, 30%, 35% kind of CAGR that you're talking about. How much you think would be coming from the contribution of new brands versus how much would be coming from the distribution, expansion of existing brands?

Abhinav Kumar: I think the existing brands still has the potential, which is if you're talking about Tommy and couple of our own brands, which are there. So I feel that Tommy, for example, can easily grow at 20% plus kind of a CAGR. And the rest of the growth is going to come from the new brands.

Saptarshee Chatterjee: Understood. Yeah, it would be -- like, I think you'd want to grow your offline channels slightly higher than your online channel. And there I think in earlier calls, you have talked about 800 touch points that you have in terms of points of sales. How that grow over next two, three years?

Abhinav Kumar: So it's not that we want to grow the offline channel more than the online channel. I have always maintained that our online and offline mix is going to be similar. So online, we're very, very focused on the digital play as well. In fact, talking a little more about digital. In my -- during my last calls also, I had mentioned this, that during my last calls also I had mentioned this, that we have two kinds of play in the online, which is one is where we directly supply to all the e-commerce portals, whether it is Myntra, Amazon, Flipkart or Ajio, Nykaa all of these guys, and the other is a marketplace model where we control the inventory, we are the seller and we invested into developing this entire infrastructure in-house.

And I'm happy to share that from where one and a half years back, one, one and a half years back, we were as we did not have sort of any marketplace sales. And now of our overall online business, almost 24%, 25% of the revenue is coming from our own marketplace operations, right. So we are equally alliable for digital, as well as offline. It will always be a healthy mix. In terms of point-of-sales, if you will see from 800, I wouldn't say that we reach VIP levels or American Tourister levels, they are more than 8,000 point of sales across the country.

But yes, we would keep growing. It's very -- it'll be very, very hard to say exactly a number to that, but we keep on growing in terms of EBOs, in terms of large format, in terms of distribution, all the channels.

Saptarshee Chatterjee: Great sir. Thank you. I'll come back in the queue.

Vinay Pandit: Thanks. Thanks, Saptarshee. We'll take the next call from Mahek Talati. Mahek, you can unmute and ask your questions.

Mahek Talati: Yeah, am I audible?

Abhinav Kumar: Yes, yes Mahek.

Mahek Talati: Yeah, thank you for the opportunity. Congrats for a good set of numbers.

Abhinav Kumar: Thank you, Mahek.

Mahek Talati: My question was regarding our own brands, that Sugarush and The Vertical, so how are they performing in terms of the sales and profitability?

Abhinav Kumar: Okay, I would say that they're performing decent. I wouldn't say that, we haven't better shorten on these brands. We've never sort of gone out of bounds and put in a huge amount of marketing money behind these brands. So they're sort of growing along. And today, if you will see a decent amount of sales is coming from our own brands, they are mostly price fillers, rather than say brand per se, they're mostly like price fillers, right and they're doing fairly good.

Mahek Talati: Understood. And in terms of our sales mix, like we have three to four major products, one is Travel Gear, one is small leather goods, SLGs and one is backpacks. So how has been the sales mix center growth in last one year? Which segment do we think will continue to grow at a good pace going forward as well?

Abhinav Kumar: See I think women handbags, when I talk about it , that is currently, it is our least contribution, primarily because we don't have – we have which we've discontinued. And so in women handbags, if you will see, we just have our own brand, Sugarush. And we also do Tommy's women's wallets, which we classify under the women's category.

So, obviously hence that is the smallest part of our portfolio and it contributes to somewhere close to about 8% of our overall sort of turnover. Bulk of it still comes from our small leather goods division, which is the largest division till now, almost 50% of the sales come from there and about 42% sales comes from Travel Gear. When it comes to in terms of growth, I think both the segments have seen tremendous growth. Going forward, then I keep saying this, that we always internally also, we always pay a higher growth on the Travel Gear segment, but small leather goods continues to surprise us, it just keeps on growing.

So, I would say that, while we anticipate in that Travel Gear going forward, would grow faster, or at a higher pace than small leather goods, but only time will tell which of the categories outshines each other, but we internally feel that Travel Gear will have a higher growth rate.

Mahek Talati: Understood. Fair enough. And sir last was with regarding to the geographical footprint. So you're mentioned that you're currently present in what -- some states of UP, Maharashtra and Karnataka and you are targeting increasing the market in that areas, which is what I can see from Slide number 9 of your PPT. So -- and you are also targeting some new regions of Northeast and newer states of

Jharkhand and Chhattisgarh. So, exactly what are we trying? Are we going through to online channel or are we trying to start the offline channel in that areas?

Abhinav Kumar: See, online we are as it is present everywhere, right. Online is India's shop, right. That store is for the whole country. So it's all about how many pinpoints -- pin codes are you able to service. And today all your large e-commerce players like Myntra, Amazon, they're serving almost every pin code available today, right? Or they would have -- they'd be covering more than 90% of the pin codes available in the country today.

So from online perspective, we are already present everywhere, that is right. So whenever we talk about increasing our geographical footprint, it will always be offline. Now offline may geographical footprint, two three reasons. One is if the city is good enough to warrant a store, so for example, very, very happy to share that, we've opened our first store in Bangalore, we opened our first store in Hyderabad, both in January, right, we opened these two stores.

So, South, our presence is very less, and now we are concentrating building on South. So, we opened our first two stores in Hyderabad and Bangalore. So, apart from this, we are getting into distributors agreements in the South of India. We've appointed a master distributor for small leather goods. Now, we are looking at appointing certain distributors and master distributors for Travel Gear business in the south territory.

So the growth is going to be with your own stores, with large format stores like Shoppers, Lifestyle, Centro now being owned by Reliance, wherever these guys are increasing their footprint, we are as it is expanding with them. We had when it was earlier Central, we had obviously pulled out because of the financial issues. And now that it has been taken over by Reliance, again, sort of in the process of signing the agreement and rolling out in their stores. So pretty soon we'll be spreading across their stores. So as and when these guys also keep growing adding on stores, we are a preferred partner with all these large format players, we are in their -- we feature in their top brands.

So hence, we will also keep getting space in their stores. Distribution helps us to increase our multi-brand footprint. So the multi-brand, the mom and pop stores, which still in India is huge, right? More than 80%, 85% of the retail in India, still unorganized, right. It's still the mom and pop stores. So hence, distribution is the way to capture them. So we are increasing our distribution footprint also. So yes, we are looking at enhancing our -- this thing in the offline primarily through these various channels.

Mahek Talati: Understood. Fair enough. If I could squeeze one last question. So the Aeropostale agreement, which we signed, so are the terms and conditions similar to the Tommy Hilfiger, or they're different like in terms of the royalty payment, which we are going to make in terms of manufacturing license and all?

Abhinav Kumar: So sir in terms of manufacturing, in terms of license agreement, yes. All the thing that we sign are all licensed agreements, right. And hence we get the manufacturing rights, we don't sign distribution agreements generally. So from that perspective, it's exactly the same, obviously, the royalty rates and all differ. And while in the past, I may have or I have, in fact commented on the actual royalty pay-outs, however, we will not be in a position to do that any further, because of that confidentiality clause that we have in these agreements? I was reminded even by Tommy's this thing that we can't share the exact percentages, but yes, depending on the brand, it differs.

Mahek Talati: Okay, thank you.

Abhinav Kumar: Thank you.

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

Gunit Singh: Hi, thank you for this opportunity. So I might have missed this earlier. But what kind of growth are we looking at in the next financial year? And given that you're emphasizing on offline growth in terms of expanding geographies. So I mean, what kind of store expansion can we expect in the coming year like how many stores do we plan to open for the next financial year?

Abhinav Kumar: So growth I had mentioned that we're looking at a 30% target kind of a growth for the entire year. And in terms of stores, we now have 30 stores across the country and probably we'll have a couple of more store openings by before the end of March. For the next financial year, I think we would be targeting anywhere between 12 to 15 new stores being opened.

Gunit Singh: All right. And I have another comment to make so I have visited one of the stores in Connaught Place and I was just doing the market research. So I went there, spoke to the people, and they informed me that the monthly sales are about INR 8 lakhs to INR 10 lakhs. And within the same market, I went to another, I think American Tourister or it was Samsonite store. And I inquired them also just to get an idea. So they gave an estimate of about INR 40 lakh to INR 50 lakh monthly sales, while that was also within the same market. So, I mean, looking at this difference. I mean, what are your plans to maybe grow your per store sales to a level of Samsonite or American Tourister, what steps are you taking? And why do you see such discrepancy? I just want to hear your comments on this?

Abhinav Kumar: Yes. So in terms of retail sales, what happens is location is a very important factor, Gunit, right. So, if you walk into a mall, for example, even in a mall, which is a closed environment, once you enter the mall, you're confined to within that mall space right, within those floors. The ground floor stores will always have a higher sales than the first floor, which will have a higher sales than the second floor stores, which will have a higher sales than the third floor stores, right. While all these stores might be visible from the central atrium. So visibility is not a problem, but location derives the sales, right?

So the Samsonite store that you would have visited in CP, CP is if you'll see is divided into three parts. One is the inner circle. Then you have the outer circle and then you have the radium, right. Our store is on the outer circle. Now for an outer circle store, the sales that we're doing I'll not say that they are the best of the figures. Yes, we see that it could easily go up to INR 14 lakhs to INR 15 lakhs. In fact, last month we've closed higher than INR 12 lakhs, right. In fact, not even INR 12 lakhs, December we clubbed INR 13.83 lakhs, and Jan we have clubbed somewhere around INR 13.3 lakhs kind of a sales. So we are slowly and steadily inching up.

Now against the sale, if you will look at my rental, the rental will be close to INR 2.5 lakhs, INR 3 lakhs, right. Whereas the Samsonite store that you would have looked at a INR 40 lakhs, INR 50 lakhs, there the rental would be close to INR 10 lakhs to INR 15 lakhs, right. So, it is still -- the ratio is still the same. Whether it is 1:4 or 1:5, the ratio is going to still be the same. So yes, you could say that, at the time when we took this store, I was not willing to take a bet on or INR 10 lakh rental store, right. You could say that we don't like to bet our shirt on a particular restrict.

Now that we have a store. In fact, Samsonite, American Tourister if I'm not mistaken, they have two or three stores in the entire CP area. So they also have a store in the outer circle. And their outer circle store does a similar business around INR 14 lakhs, INR 15 lakhs is a kind of business that they do. These stores are again, they are old stores, so our store is probably two, two and a half years old. [Hindi Language] [0:33:52]. So it's fairly new. Whereas these other brands would have been there for five years, four years, seven years, whatever. So basis on that, there are marginal differences, but if you talk about pureplay, I would also like to cite an example of my Ahmedabad Alpha One store, right where in this nine months or in fact rather if I include January, so about in 10 months, we've done close to INR 2.5 crores from that one single store. So it's about INR 25 lakhs a month and we have just one more brand on the same floor and I'm sure their figures are lower than us. I would not like to exactly pinpoint on the brand, but apart from us, there is just one more Travel Gear brand on the same -- on the ground floor. And their figures are obviously lower than us.

So it depends on the location, on market, on everything. Touchwood our rent-to-sale ratio in most of the cases in our stores are good, and hence, we are profitable as a unit in all our stores. In our EBO overall, EBO is a profitable division for us.

Gunit Singh: Great. Thanks for the clarification, this was quite well explained. So, would you be able to share your per store monthly or yearly revenues take on average?

Abhinav Kumar: So, we do, if you look at the metro stores for example. Metro stores do SSPB [ph] of close to 80 right, which is sales per square foot per day. So 2,400 kind of the same for the month, whereas a non-metro store would be giving us close to about 45 to 1,500 kind of SSPM [ph]. So in totality if you sse. So EBO for us have already given -- is contributing almost 10% to 12%, 10% of our overall business.

Gunit Singh: All right. Thank you very much.

Moderator: Thanks, Gunit. We'll take the next question from Anand Mundra. Anand, you can unmute and ask your question.

Anand Mundra: Yeah, hi Abhinav. Good afternoon, congratulation on good set of numbers sir.

Abhinav Kumar: Hi, Anand ji. Thank you. Thank you.

Anand Mundra: Sir, I wanted to chat with you how much you are planning to invest for the new brand in terms of stores, inventory, what is the CapEx required for this new brand over the next 18 months?

Abhinav Kumar: Sir, in terms of new brands, it will also depend Anand ji, which brands we sign with, right. But typically, if I talk about it, a light weight brand will entail anywhere between INR 4 crores to INR 6 crores and a heavyweight brand would entail anywhere between INR 10 crores, INR 12 crores to INR 15 crores, that's the kind of investment that we will do.

Anand Mundra: That will include -- okay sir. That will include opening stores for those particular brand or those will be sold under Bagline only?

Abhinav Kumar: Sir, this will depend really on the brand. So just it for example Aeropostale if you'll see, I don't see us opening stores of Aeropostale It's a lightweight brand, so lightweight brands will not have their own stores. Heavyweight brands might have their own stores as well, right. But the idea would be that, the investment is going to go more in building Bagline, they're -- so if we tomorrow have 50 Bagline stores or 100 Bagline stores, whatever brand that we take, it immediately gets the benefit of those 100 stores, right.

So we feel that's a bigger value add for all of us and hence the concentration is going to be more on Bagline. But it is a brand which [indiscernible] [00:38:37], it's a very good brand. It's a very premium brand and you need to open a few stores, though we would then open a few stores.

Anand Mundra: So currently all the stores sir, are they branded as Bagline or there's a mix of Tommy also?

Abhinav Kumar: There is a mix of Tommy, Anand ji. So around 20 out of the 30 around 20, 21 stores are Bagline, nine odd stores are Tommy.

Anand Mundra: So in this 20, 21 stores we will start selling the new brand products, new branded products?

Abhinav Kumar: Yes sir, day one.

Anand Mundra: Okay, okay, okay. And sir royalty payment you already mentioned that you don't want to mention that. No problems. Sir, one more thing you mentioned sometime back that in Tommy you can easily see a growth of 20%.

Abhinav Kumar: Yes.

Anand Mundra: And the new brand will be in action over the next FY '24 other than FY '25 as compared to FY '24. So next year would be tough to grow at 30%, because Tommy is a major revenue. So next year do you think we'd be able to do 30%?

Abhinav Kumar: Yes sir, I mean even if I take a base of say 160 for example, 10% growth of 160 from two different brands is about INR 16 crores, right?

Anand Mundra: Okay, understood.

Abhinav Kumar: Yeah, which is not that difficult.

Anand Mundra: And sir, what is the long-term. Can you share sir, what is the projection in which you have given to the new brand, so that we have signed this agreement, say INR 50 crores in five years. Any numbers for that? Obviously, minimum commitment, sir?

Abhinav Kumar: I mean, as I said, so we won't be able to share the -- anything regarding the agreement, but I can just say this, that being a lightweight brand we've given a very conservative sort of projections, and we've signed it for seven years sir. So it's a seven year license, and we've given a conservative, so I expect that we will be doing far better than what we have given as a projection to them.

Anand Mundra: Sir this Aeropostale I have seen their products on website on Amazon and I don't know who was selling. So any numbers or how much was the…?

Abhinav Kumar: Sir, firstly, it was with Aravind, right. And then, he too international product. See Aeropostale internationally is a big brand, right. In the U.S. they have more than 500 stores, correct.

Anand Mundra: For Travel Gears, sir?

Abhinav Kumar: No, no for apparel.

Anand Mundra: For apparel?

Abhinav Kumar: Yes, yes. And Aeropostale sir more importantly is a part of a group known as ABG, which is Authentic Brands Group. If you study about Authentic Brands, it is a $25 billion plus kind of sales and for group present across more than 140, 150 countries huge. So Aeropostale is a brand that they own. And along with it, they own a lot of other brands also. And our agreement, this time is not with any Indian counterpart. Our agreement is directly with the U.S. counterpart of ABG. So it's directly with Authentic Brands Group. So hence it gives us an entry into ABG directly, right. So ABG has licensed partners across the world. And hence, it gives us an opportunity to be a part of a group, which has so many brands to choose from. And they will continue to add more brands in their portfolio as a growth model. So hence from that perspective, it's a very, very important milestone for us.

Anand Mundra: Understood sir. Thank you sir. Thanks a lot. All the best sir.

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

Rizwan Patni: Hi, good afternoon, Abhinav.

Abhinav Kumar: Hi.

Rizwan Patni: Pleasure speaking with you.

Abhinav Kumar: Same here.

Rizwan Patni: Abhinav, I was going through, actually, I'm very new to the company. But I was going through some data from my analyst and where it says that the market size of the luggage industry is around 20,000 in India. So of course we are -- we have a very, very big way to grow and then possibilities to grow. But on the other side, when I saw your presentation, it says that 50% of the revenue is coming from online. Whereas I did some homework and seeing that the other players are not much in online, they are coming -- their revenues are coming from more from the store sales.

So and I felt that 50% I don't know, but I'm just thinking that isn't 50% of revenues coming from a single channel is a risk to the business and how do you see further that you can bring equivalent distribution for growth in all other channels, so your leverage on one channel becomes more comfortable?

Abhinav Kumar: Okay. So you're right, when you say that the market size in fact, pre-COVID, the market size according to the Euromonitor study research was INR 24,000 crores, right? Recently though I have not seen the latest Euromonitor report, but recently Economic Times has come up with a statement saying that the bags and travel, Travel Gear and all these bags market in India is close to INR 48,000 crores to INR 50,000 crores, right. I don't know where that figure is coming from I need to still validate it.

But yes, point here is whether it is INR 24,000 crores or whether it is INR 50,000 crores, the market is huge, right. So hence, time and again, I have also said this that I don't need to -- we don't -- as a company, we don't need to experiment into a lot of new categories. Because in our own categories, where we now have a product expertise, we'll be able to sort of grow to quite a decent level in our own categories itself, we don't need to look outside, right.

Now, having said that, all the other players they are obviously more on offline and online for them as a percentage is smaller. Yes. Now, if you see VIP has been in the market for 40 years, right. Samsonite is a global leader of luggage and again been into the luggage industry for more than 30 years, right. They launched Samsonite and American Tourister way back in '97, '98 in India. We're just a eight, 10-year old player, right. Whereas a VIP has more than 500 stores, Samsonite group again has more than 400, 500 stores, Safari has 400, 500 stores, right. All these are category players, they have been in this industry for donkey's years, right, for a very, very long time.

So, suddenly, we as a newbie coming up and comparing ourselves that they are so much buyer, we this much. We will have to take the journey, right, just on. But the fact remains that, we took Tommy as a brand. We started off almost in 2012. By 2022 in roughly 10 years in which one and a half, two years was marred by COVID and all of that. In eight to 10 years, if you look at this year, we'll be closing at retail . Though retail we will be closing somewhere close to INR 260 crores to INR 270 odd crores, right. So today, if you build a brand within eight to nine years, we've been able to build it from scratch to a INR 250 crore retail level. Tomorrow once we have more brands, if I take another brand, which is say a heavyweight which is equally well known, will I take again eight to 10 years to build a INR 250 crores. Of course not, right.

So hence, we should -- it's a journey, we will get to those kinds of figures, we will get to, but probably a little more faster. And our bet and our entire this thing differentiation from these category players is that they are a core category player, right? So they are a luggage player. They are a backpack player, they're a Travel Gear player. Whereas what we say is that we are a fashion accessories player, right. None of these brands which are core category brands, no matter who or whoever they take as a brand ambassador can never claim themselves to be a fashion brand, right.

Whereas our model is very different, where we take licenses of various fashion brands, right. And I don't need to get started on the fashion consumption in India and how and where it's going to go, right. Fashion today is touching everyone at every different point of time, right, whether it is watches as an industry, whether it is footwear as an industry, whether it is underwear as an industry, whether it is garments obviously takes the precedence.

So we are in this game, right. And we feel that there is a huge future where the youth of the country, the discerning consumers of the country, they are going to migrate from core category brands to a more fashion forward need. And that's where we come into the picture. And that's our bet on this entire industry. I'll hope I've been able to sort of.

Rizwan Patni: Yeah, yeah. Sure, sure. Very, very, very clear. Another question Abhinav is regarding the brand agreements. What you do with Tommy Hilfiger, as I remember from one of your past session, please correct me if I'm wrong, that the agreement is going to expire somewhere in December and you don't see any reason of not extending it after that period, because of your terms and conditions and your revenue generation from the brand, what do you have given to them?

On the other hand, now, you have taken in Aeropostale, which is a lightweight brand, as you have suggested. So, for future is there anything coming during the year or not this financial year, but next financial year, a heavy brand coming in your -- is there something in talk of course, I do understand you cannot disclose the brand name or something, but is it there is something which is under discussion and will be materialized say in a period of a year or six months somewhere?

Abhinav Kumar: Yes, we are. I had mentioned this earlier also. And I would again reiterate.

Rizwan Patni: Sorry to ask you again.

Abhinav Kumar: No, no. Not an issue, Rizwan. We are in advanced stages of contract, and -- off with a heavyweight? And we hope that these things take a little time because as I said, this is like marriage. So the way I'm confident that today Tommy’s renewal ends in December. My team has already presented to them the Spring Summer '24. We are -- they're traveling here for the first cut design presentation of SS '24, right. They're giving approvals for SS 24 and everything. So you can understand that where the whole confidence comes that, once you sign a brand until, unless you've done something grossly wrong. This is like a marriage. So, it takes time to culminate a marriage, it takes a little time because need to read all the agreements. And here unlike Indian weddings, prenup is already signed, just like international weddings, where you sign a prenup agreement, you need to sign the prenup initially. So, sometimes it takes a little more time over there. So, but we are in advanced stages.

Rizwan Patni: My another question would be if I can, can I continue with the question?

Abhinav Kumar: Yes, yes.

Rizwan Patni: During your agreements, do you have certain kind of a limitation, example say just for an example Tommy figure? Yeah.

Abhinav Kumar: I had thought of answering this at one go, because I sort of preempted that you would ask this. So we are a multi-brand license player, right? So none of our agreements restricts us from signing any other brand or any other group. We are not married to either a brand or a group.

Rizwan Patni: Great. Last question, Abhinav. The average selling price between the brands say Aeropostale or and Tommy Hilfiger, what is the minimum average selling price between those two brands. To just understand the heavyweight and lightweight price difference?

Abhinav Kumar: So Tommy Hilfiger, for example, if I talk about small leather goods, our retail price for small leather goods is to the tune of around about Rs 2,900 in offline and about Rs.2,100, Rs.2,200 in online, right. And if I look up -- if I take the example, for example, Aeropostale, Aeropostale online would be somewhere around close to Rs800, Rs900, and offline would be close to about Rs1,200, Rs1,300.

Rizwan Patni: Thank you so much, Abhinav. Thank you.

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

Ankur Kumar: Yeah. Hi, Abhinav.

Abhinav Kumar: Hi, Ankur.

Ankur Kumar: Thank you. Thank you for taking my question and congrats on a good set of numbers.

Abhinav Kumar: Thank you.

Ankur Kumar: So, first question is there are some companies which are talking that post Diwali there was a slowdown in November and December. So, how are we seeing in terms of that? What is our comment on that front?

Abhinav Kumar: Yes. So, markets have been talking that post Diwali, the retail has slowed down, for sure. And, but somehow, I would say that, we've been able to beat that curve to a certain extent. And yes, had that momentum of retail still been going, probably the set of numbers would have been slightly better. But, yes, overall retail as a segment, if you'll see has slowed down a little bit post Diwali, which is a fact for most of the brands. We are able to sort of overcome that this thing as of now, because if travel as a category, as a segment is still growing, right. So, hence, it slowed down – travel as a segment.

Secondly, if you will see again, we had a very good marriage season this year. And most of our products, whether it is luggage, whether it is small leather goods, they are very well accepted in terms of gifting and marriages. So, that also has sort of beaten the regular trend. And third is, till now we are more attune towards the premium sort of category of the market, premium segment of the market. There, a little bit of premium and luxury have still been able to sort of beat that whole curve of the downward trend. So these two, three reasons where we've been able to sort of beat the market trend. And we've still come out with a good set of numbers.

Ankur Kumar: Sure and coming to this Q4 quarter, if I look at VIP and Safari numbers, they are low -- they tend to be lower because of seasonality. But you are saying we can expect 45, same Q3 kind of numbers. So how should we read into that?

Abhinav Kumar: When did I say that?

Ankur Kumar: Sorry, you said INR 180 crore portfolio. So based on…

Abhinav Kumar: No, INR 160 crore sir.

Ankur Kumar: Yeah, INR 160 crore, okay.

Abhinav Kumar: Yeah, but as I said numbers going to be plus, minus 10% here and there in a similar zone. But yes, you're right, Q4 typically, if you look at it, February and March again, at least for the primaries, as well as secondaries, March is not a good month for retail. And hence, in my first thing itself, I had said that you should never look at a retail company from quarter-to-quarter basis, you should look at it from year of the same quarter to the current quarter, right. So it should be an yearly comparison rather than a quarterly comparison, because it's a cycle, right?

So Q4, obviously, everywhere March the regular middle class also is they have their tax plannings and everything. So retail goes a little down March and businesses, your B2B sales get affected, because nobody wants to sort of buy your new inventory towards the end of March. All of think that might as well, bill it in the first week of April. So that's a general market trend.

Ankur Kumar: Got it. Yeah. And you're saying in for next six to nine months, we'll have to work on brand building for the new brand that we've acquired. So will it be kind of what will -- that will lower our margins?

Abhinav Kumar: Yes sir, as I said that net-net, as you understand, Ankur, we will have a similar sort of this thing. So my answer was more from the perspective that you could ask me a question or the gentleman I forget who had asked me that. But the gentleman had mentioned that, if you're growing by a 30% CAGR, will we continue to see a growth in your EBITDA levels, to which I had answered, that might not be the case, because there will be certain additional expenses, which would be coming in new brands will have lower sort of gross margins.

So net-net, we should be able to maintain a similar kind of an outlook. So I wouldn't give an outlook that we're going to be increasing our EBITDA by certain basis points, quarter-on-quarter because of our growth. So it was more from that perspective.

Ankur Kumar: Sure. Thank you and all the best.

Moderator: Thank you. We'll take our next question from Krishna. Krishna Bahirwani, you can unmute and ask your question.

Krishna Bahirwani: Hi, Abhinav. Thanks for making yourself accessible to us. I just have one question, which is sort of more of a big picture kind of question. As of now, we have four brands, two of our own and two licensed. How do you see this growing say five years out from now, what would you like it to be? And the second part of the question is when do you see yourself being able to have more bargaining power in terms of royalties moving forward? Thank you.

Abhinav Kumar: So, we clearly want to become a house of brands, Krishna. So that's our motto. And in the next three to five years, while we will continue to have our own brands. But at the same time, I've said this earlier also that we would not be betting our shirt on our own brands, we will give time to our own brands to sort of nurture and develop. See there are two ways in which you can build a brand, one is if you want to do a blitzkrieg marketing activity, you burn INR 10 crores, INR 20 crores, first sign up a celebrity for INR 3 crores, INR 4 crores, and then burn another INR 6 crores in advertising. And there you go, your brand is built, right. And you continue to pump in that kind of money.

But we typically would, at least at this point of time, we don't see ourselves doing that. What we see ourselves doing is seeding the market with the right product, at the right price point in our own brands, and slowly and steadily, our brands will keep on growing. So that's the route that we want to take.

So yes, to answer your question, in the next five years, also, I don't see a huge percentage of revenue coming from our own brands. Yes, if you asked me this question, so 10 years down the line, probably yes, by then we would love to sort of establish our own brand or probably by then we would have, you don't know, you never know by then you would have become so big that you would have probably bought a few brands of your own, right or bought a couple of categories from these brands, right.

So, all those possibilities are there, this is how internationally also a lot of licensing companies have grown, where after reaching a certain point of size, certain size, they would have bought over the brand, right. So all those possibilities will kick in and hence that's a very, very long-term plan, I am talking about a 10-year window

But for the foreseeable future, we see ourselves as a household brands or international brands, most likely. And doing sales across various different price points. So while we are currently in the premium segment, we will also bring and all these brands are going to be fashion brands, right. So we're going to be bringing in brands at various different price points as well. So I hope.

Krishna Bahirwani: Yes, just a quick follow-up on that, there are certain brands mentioned in your presentation. Are those the ones you're targeting?

Abhinav Kumar: They're more from an example perspective, in fact, if you will see that – as you can see in these kind of brands, so essentially, not a lot of people understand the concept of licensing, right. And once you understand the concept of licensing, you actually start understanding that, oh, I can Sky is the Limit for me when it comes to tiny number of brands, right. There'll be so many brands we'll be interested in, in sort of exploring these additional categories with us. So, yes, these are also a couple of brands which we are sort of targeting.

Krishna Bahirwani: Just one last question. Are there any other licensing players in India who are your competition?

Abhinav Kumar: Not in our product categories at the moment, but there are enough. So Titan is one of the biggest licensing players in watches industry today, right. So apart from its own brand, Tommy Hilfiger is also a Titan license. Tommy Hilfiger watches is where Titan, they have other watches as license also. So eyewear, there is a company known as Sterling Meta-Plast in which Marchon, which is the world's third largest eyewear company, has a strategic stake installing now, they have licenses of almost 15 odd brands, right from Hugo Boss to Tom Ford, to Tommy to CK to all these brands. So, all these different categories, Page Industries is a brilliant example again. So various different categories, there are none in our -- we don't have as yet a competition in our own categories. We are the first players and hence we have that first mover advantage.

Krishna Bahirwani: All right. Thank you so much.

Moderator: Thanks Krishna. We'll take the next question from Sriram. Sriram, you can unmute.

Sriram: Thanks for the opportunity, I have two questions. Basically, you mentioned that the contribution from small leather goods is 42% for the current year. So, I just want to know what does this fit for FY '20?

And my second question is, basically do you have any plans to get into manufacturing and I also want to know what is the material that is sourced from your boot company? You do source some amount?

Abhinav Kumar: Sorry.

Sriram: You do source some materials from your group company at the IFF Overseas?

Abhinav Kumar: Yes.

Sriram: So what is that you purchase from them?

Abhinav Kumar: Okay. So, small leather goods I mentioned was at 49%, almost 50%, 49.7% to be precise. So, about 50% of the revenue is from small leather goods, 42% is at Travel Gear, am I right? And if I compare this with FY '20, obviously, as a percentage, Travel Gear back then would be around 28% I believe or 25%, because A, we were still building up Travel Gear, Travel Gear is a more difficult category to crack, number one. Number two was because of the COVID impact, obviously, the travel had drastically sort of gone down, right. So from there, Travel Gear has shown a very, very good sort of a growth in coming into.

So the growth in Travel Gear has been higher than small leather goods in the past four to five years, if it so answers your question. Now coming on to in terms of manufacturing, what we source from IFF Overseas is backpacks, primarily, and now we have started sourcing some bit of soft luggage, which is your overnighted trolley, right. But our total quantum of sourcing from IFF Overseas would be approximately 20% of their total revenue, right. And from our perspective, if I look at in our overall sourcing bid, I think IFF Overseas would be contributing close to 8% or 5%, around 5% to 8%, close to 5% and 7% is what our sourcing from there would be.

Sriram: So do you have any plans to get into [indiscernible] [01:09:19]?

Abhinav Kumar: Yes.

Sriram: Can you elaborate a bit?

Abhinav Kumar: Yes, we'll look at -- we're in serious contemplation. And it is an entire proposal everything has been put up to the board as well. And we are looking at getting into manufacturing, primarily in the Travel Gear segment. And the reason for us to get into manufacturing in the Travel

Gear segment is A, if you see small leather goods is today for us a bigger category. However, as of now, we don't have plans getting into manufacturing small leather goods. Leather industry in India is a pretty well developed industry and hence we don't see the need or the urge or having any sort of competitive advantage that we will have in getting into leather manufacturing.

Whereas when it comes to your Travel Gear as an industry, all manufacturing becomes a huge competitive advantage, because it cuts down your dependence on China, India is still not so well developed. When it comes to manufacturing in Travel Gear, be it backpacks, be it luggage, be it hard luggage, the entire gamut of Travel Gear products, we have very few factories.

Second, as a group company, IFF Overseas has been in existence for more than I think 25 years now, right. And with that kind of experience, where we are manufacturing already for various different brands, you name a brand, and probably we would have manufactured for them. So we have this entire strength in house, which we feel that we can leverage.

And third, and the last point is that unlike how we understand manufacturing, this industry, the manufacturing is not that asset heavy. So your asset term is close to 5x to 6x. So if you're able to do a 5x to 6x kind of an asset term, it's not a very asset heavy industry. So considering all of this, we are contemplating to getting into our own manufacturing.

Sriram: That will be part of the listed entity or the group?

Abhinav Kumar: Listed entity, whatever we do, would now primarily be only in this listed entity.

Sriram: And currently, basically how does your sourcing work? Like how much would be from China or…?

Abhinav Kumar: So we were quite, you could say, Sriram that pre-COVID, we were 100% dependent on China, when it came to Travel Gear products, we were -- your luggage, your soft, hard, everything was 100% China. But thanks to the entire team working very, very closely with certain manufacturers here. Also, thanks to IFF Overseas, helping us out in sort of establishing sort of an ecosystem where the fabric now is getting developed with a fabric manufacturer, right. So that we are able to maintain that same standard of quality.

So component manufacturing, we've gone to various different components. Thanks again to the experience of IFF Overseas. We've been able to sort of create that kind of a structure, where now I would say in terms of Travel Gear, I think 60% now is India and 40% is still China. We aim in that, but to be honest, the 60:40 ratio is also not correct. Being brutally honest, if I have to, because China the entire supply chain has been disrupted because of the lockdown, Corona lockdown, the COVID wave swept the whole country.

So then again the effect came and then they they shut down for their New Years. So once it opens, I would still believe that only in the luggage part agreement, they could do 50:50, they is still dependence. Backpack, again thanks to IFF Overseas and a few more factories in India. We've been completely able to bring it to India.

So backpacks now is 100% domestic. But luggage continues to be 50:50. Going forward we want to bring this down, and say one, one and a half years down the line, we would love to see a 90% domestic and only a 10% for certain products, which you will not be able to develop in India, only for those kinds of products we go to China.

Sriram: Thanks, Abhinav for efficiently taking the questions. Wishing you all the best.

Abhinav Kumar: Thanks.

Moderator: Thank you, Sriram. Due to the paucity of time, we'll take one last question from the line of Rohit Vyas. Since he's not asked for question, Rohit, you can unmute and ask your question.

Rohit Vyas: Hi, Abhinav. Rohit, this side. So I have been attending a couple of calls and I've seen how the growth have been coming quarter-on-quarter. And so is it fair enough to understand or take it as Brand Concepts wants to become something like Titan Industries, which has multiple brands in its portfolio licensed and co-owned, as well as its manufacturing in-house also manufactures lot of. And hence it is able to control the market in a far better manner? Is it safe to understand that that's what Brand Concepts wants to become?

Abhinav Kumar: Yes, a very good, I would say observation, Rohit. And yes, even in my previous calls, and in certain of my one-on-one meetings, I have always drawn a simile with Titan. And internally, we really look forward to Titan as a company. If you see -- there also are sort of, we've manufactured bags for them, we've done a lot of business for Titan. So we've always been very, very closely associated also with Titan Industries.

But you're absolutely right, that there's just one difference that when Titan started, they started with their own brand. And they had the legacy, they had the knowhow, they had everything where first they built their own brand, that's the only difference between us and Titan. But if you apart from that one difference, if you will see Titan today has multiple brands at multiple price points in the fashion space.

So in fact in a way Titan and I always give this as an example, the Titan revolutionized the way watches was seen as a category, so till late 90s. And I think I've given this example too many times, hence I was not giving it today, but you've actually put the right point across. So if you remember till late 90s, watches was a timekeeping device, it had a utilitarian use, right. It was a utilitarian category and 10 years down the line, by 2010, watches was a fashion accessory and it continues to be so today.

So at every given price point, there are multiple brands available, multiple design sensibilities available, right. Now today even at Giordano, which is not a watch company, but their watches are available across I think almost all watch stores, right? A Fossil, it's not a watch company, but Fossil watches are seen everywhere, right? People very happily wear that, Apple was not a watch company, right? Now the watches categories is changing into a wearable industry, right.

So, these are -- whereas if you consider our categories, our industry, it is still the luggage industry. So these changes are bound to happen. So yes, in a way, we are the Titan of this industry. We have our own stores also, we have franchisee stores also, we have distribution also. We are wanting to become a house of brands. And we want to be focused on the categories that we know the best, right. So in a way yes, we really emulate Titan quite a lot.

Rohit Vyas: Thank you.

Vinay Pandit: Thanks, Rohit. And Abhinav, I would have typically asked you for your closing comments. But I think the last question asked answers what you would have given as closing comments. So that brings us to the end of this call. On behalf of Brand Concepts, I thank you all for participating on the call. And I thank the management of Brand Concepts, Abhinav for giving us his valuable time. Thank you.

Abhinav Kumar: Thank you everyone for joining us. See you. Bye-bye.

Vinay Pandit: Thank you.