BRAND CONCEPTS LIMITED
CIN – L51909MH2007PLC174702
140/2/2 Ring Road Squire Musakhedi, INDORE 452 001 (M.P) INDIA
Phone: 91-731-422300, Fax- 4221222/444
Email: info@brandconcepts.in

Date: 21st November, 2022

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 15th November, 2022 for Q2&H1FY23 2022.

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 15th November, 2022 for Q2 &H1FY23.

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: 2022.11.21 12:27:19 +05'30'

Swati Gupta
Company Secretary & Compliance Officer
Mem No. A33016

BRAND CONCEPTS LTD

Q2 & H1FY23

POST RESULT CONFERENCE CALL

Management Team

Abhinav Kumar – Whole Time Director & CEO

Call Coordinator

Strategy & Investor Relations Consulting

Vinay Pandit: So ladies and gentleman, I welcome you all to the Q2 and H1, 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 statement. And these forward-looking statement may involve risks and uncertainties. Also, it's a reminder that this call is being recorded.

I would now request the management to talk a bit about their business. And there will be some participants who are new to the call, and kindly be the participants of about a performance for the quarter and for the half year ended September. Post which we can open the floor for Q&A.

Over to you, Abhinav.

Abhinav Kumar: Thanks, Vinay. And a very good afternoon to everyone. Welcome to the H1 post-result call. Just giving a brief about what we do. So we are a fashion accessory company, where we deal in three major categories of travel gear, being one of the categories; then small leather goods, where we do men's women's belts, wallets, and other small leather items; and the third category is women handbags. These are the three categories that we deal in.

And we work on a model something known as licensing. So what licensing essentially does is that we take the license of a brand, which gives us the rights to design, develop, manufacture, and then obviously, sell it across the market. So that's our basic nature of the company. Currently, the brands that we have is one, of course is Tommy Hilfiger, which is our most prominent brand right now. And then we have our own brands by the name Vertical and Sugarush. So at present, we are actively involved in these three brands. And in terms of the results, if you'll see, we continue to do grow very well, quarter-on-quarter. Also, we've sort of given a very, very good growth. So no yearly basis if you'll see, the revenues are obviously more than 71% kind of year-on-year growth.

Our EBITDA is more than 100%, PBT is almost 300% kind of a growth. Net profitability has gone up by almost 150% and PAT figures are almost in that [technical difficulty] [0:02:52], right. So that's the kind of growth that we've been able to generate.

And rest I think I'm assuming that everybody would have gone through the presentation. So without much ado, let's open the house for Q&As. If anybody has any questions, then we're willing to take those questions and answers.

Question-and-Answer Session

Moderator: Thanks, Abhinav. Akash is already unmuted and raised his hand. Go ahead, Akash.

Akash Jain: Yeah, hi. I think that clearly the numbers are --

Moderator: Hello, Akash. You muted yourself by mistake.

Abhinav Kumar: Yeah, yeah. Akash, you're on mute.

Akash Jain: Yeah. Am I audible now?

Abhinav Kumar: Yes, you are now.

Akash Jain: Yeah, I'm sorry. I'm sorry for this. Yeah, I'm just saying that the numbers are obviously quite encouraging. I have basically two questions working -- one is on working capital. If I look at your debtors inventory days, right, there seem to be on the higher side as compared to the other players in this space. And part of it we understand obviously, the business is subscale. It is growing so, working capital will not be as efficient.

But clearly on the debtor side, there seems to be a significant gap with other players in the industry. So one is how are we tackling debtors? Is there some part of debtors which is very slow moving or potential issue in terms of realizations?

So I think one is on debtor days and inventory protected is in particular. And the second thing is on I think with Tommy, there will be a plateau that will hit eventually, right. This year has been a great year, but there is as much you will be able to grow a particular brand, especially when you're doing accessories. So our ability to grow non-linearly will depend on us acquiring more brands and you've written about it in your PPT as well. But is there any progress, any short term timelines that you can give us a sense in terms of where do you think we can add more to good brand to Tommy to then have non-linear business growth? So that's the two things I wanted to check. Yeah.

Abhinav Kumar: Okay. So first answering on the working capital. So if you will see till last year, I think I would agree with you that in terms of our inventory and debtor days, we will be high in terms of our peer group. Now, I'm not sure which peer group are you referring to if it is, generally we are compared to a VIP in Safari and if you are referring to VIP and Safari, this six months figure if you will see in fact, in our working couple days, we are far better than both the place.

So if I talk about inventory, we are at 127 days, whereas VIP is at 158 days of inventory in Safari that was 74 days. In terms of debtors, if you will see we are at a 58 days of debtor, whereas Safari is at 61 days and VIP instead of 44 days. So net-net, once you reduce the creditors from their VIP is at 100 days of working capital cycle, Safari is at 102 whereas we are at a 77 days of working capital cycle.

So I hope I've answered that first question of yours. In terms of another aspect in the debtors that you asked, whether it is -- whether we have any slow moving debtors or -- so, whatever, if - generally, we don't have any bad debts or slow moving debtors. But whatever if we have to provide certain things like for example last year central was a fiasco, right. So, we shut down the stores and the whole Future Group went into this thing. But thankfully, we were prudent enough to have taken the call on central much in advance. And hence, there was a very miniscule amount which was finally stuck centrally to the tune of some INR20 lakhs odd, INR20 lakh INR25 lakhs whereas, if you see at one point of time Central was almost INR7.5 crores debtors in our books.

So, we are pretty vigilant on every account of ours. And we take whatever measures we have to take very, very swiftly. So we are quite nimble in our approach, and hence we've been able to recover most of the amounts. So, I don't see any threat in terms of any debtor at the moment.

Answering your second set off this thing of Tommy would plateau. Yes, it would plateau, but the question is when would it plateau right. So, if you look at today, pre-COVID the industry size was about INR24,000 crores with the organized sector being somewhere around INR5,000 crores between INR4,000 crores to INR5,000 crores was the organized sector.

So, in terms of potential of growth, I think there is enough and more potential growth for everyone. This industry is supposed to be as in pre-COVID now, obviously, the growth parameters have also changed, but pre-COVID also this industry was growing at a 16%-17% annualized rate. Now, with a 16%-17% annualized if you will see the industry will more than double itself in the next four to five years. And of INR5,000 crores organized market if I continue the same growth pace, we are looking at anywhere around INR9,000 crore INR10,000 crore market, even if, with a brand like Tommy Hilfiger we say that all right will take only 5% market share of the overall listing.

There is enough and more growth potential for us to go to a INR400 crore INR500 crore in the next four to five years only in one brand. So, I don't see the dearth of growth or the opportunity of growth not being there, even if it is a single brand. However, having said that, we understand that we've already taken cognizance of the fact that once we have established ourselves as a player, once we've given a proven concept, now's the time that we add more brands to our portfolio, so that not only we fuel -- we put a fuel to the growth engine, but also we aspire to become a household brands, that's the whole idea that we become household brands, which derisks also in terms of one brand being very, very heavy in your portfolio.

So, we are in pretty advanced stages with certain brands, and hopefully, but I think the most difficult part of our business is signing the dotted line of a licensing contract. Because any brand giving you the license, it trusts you completely. So that's the only portion, that's the only point where the brands are very, very vigilant and extremely this thing, contract negotiations take a lot of time, because we've already decided that we are not going to -- we're not going to be signing any Indian brand.

At the moment, we are going to be concentrating and focusing primarily on international brands. So international contracts are a little tricky. And hence, all those things take a little time, but we are in advanced stages as we speak. And hopefully very soon, we should be able to give out those news.

I hope I've answered both your questions. Akash.

Akash Jain: Yeah. That's very useful. Thank you so much.

Moderator: I think, Ankit, you can ask.

Ankit K: Yeah, hi, Abhinav, very nice, good set of results. And I've been starting following this company very recently. So, I have couple of questions on the past also in couple in the present also. So, if I look at the presentation, now we have left a lot of old brands, which were not doing well and we only have Tommy right now. And you have been working -- you worked with Tommy Hilfiger for a lot of years and you were there. So can we say that the comp company got this brand because of your contacts and that is helping us? But the corollary to that is we are not getting another band. Can we say that because -- because of you we got the contract and that is why now we are struggling to get more contracts?

Abhinav Kumar: Very interesting question. So, yes -- so I used to work with Tommy yes, for sure. And we launched a lot of brands, then in fact. So I was in the core team, which in Murjani Group which launched a lot of brands in India. So I was instrumental in launching Calvin Klein also UK also, Jimmy Choo, Bottega, Veneta, Gucci all these brands. But yes, my primary role and responsibility was in Tommy Hilfiger.

And since I knew them very well, you can definitely say that there was a comfort that I knew the brand very well. I knew about licensing, I knew retail, and hence they trusted us on the brand. But at the same time, they also looked at the group's strength that we had in house manufacturing, we knew the product very well, sourcing product development becomes a very, very crucial part in licensing. So because we had that expertise also, we were able to sort of get the brand.

Also, if you will see we started the company not with Tommy Hilfiger, we started the company with Spiker and Rockies back then. And then I ventured into a lot of IPs. So we had a lot of licenses of Cartoon Network, Disney, all these character licensing we had. We were primarily a big player in the in the back to school segment. So once I had established some sort of distribution strength, product development strength, a team strength, infrastructure, once we did all of that, is only when I was -- I approached Tommy. And so while there was a comfort in approaching Tommy, but at the same time we had the infrastructure also where they could trust us.

Going forward, I think, again, we've been in this industry for a pretty long time and approaching new brands. It's not that since I've not worked with those brands, those brands will not come with us. We are in fact, I can just safely say that we are in a very, very good zone, the kinds of partnerships that are coming across to us are unprecedented. The biggest of the groups worldwide are actually interested in working with Brand Concepts.

We have -- I can proudly say this that we have become actually the first choice for any international brand entering into India. We've actually become the first choice in our categories. So I don't see any rhyme or reason. We are in fact in the position to choose, so I get a lot of offers of lot of brands, but we have created now a very, very stringent selection criteria for a brand that we will take.

This has again, why such stringent criterias? Obviously, we've had our own learning curves. We've launched multiple brands in the past. Some have done well, some have not done well, some have failed, some we've given back. But all of that has given us a lot of learning. And hence now we are much more judicious in the brands that we signed. So out of the 10 proposals that I would have at present on the table, we are just considering some two or three of them.

Ankit K: Sure, that's nice to know. And continuing on Tommy only, so the PPT is saying we have exclusive licensing agreement till 2023. So is it like, somewhere 2023 and it will be revised into 2024 and this revision is like routine in nature or can it be material change versus what our current contract is with them?

Abhinav Kumar: So yes, the current contract is till December 2023. And, hopefully, we've already started the discussions on renewing -- renewal of the contract. It is a routine process as well as I wouldn't say that it will not entail certain changes. It is a routine process for any brand after the term is over.

We again present the business projections for the next three years, six years, five years, whatever. And there is -- you again -- we Indians love to negotiate. So you again, get down on the negotiation table on where I would want to reduce on certain things. They would want to get more aggressive. And so that part is there in every contract. But yes, hopefully we should be able to renew the contract.

Ankit K: Okay, and in terms of pricing and royalty. What is the royalty amount, and is it as a percentage of sales or is it a fixed amount?

Abhinav Kumar: Royalty is always a percentage of sales in any of our contracts. And in case of Tommy, [redacted] royalty. Actually, it's a [redacted] royalty, plus there is a 2% corporate marketing fee. It's a fixed fee which goes, which is again a percentage of the sales. So hence we calculate it at [redacted] and then it is wind up by whatever numbers that we would have given in the past this is those numbers. There is a minimum guaranteed sales that you commit that okay, we will be doing this this much of sales.

Thankfully for us, we are currently at a far higher sales than what we would have committed in our contracts.

Ankit K: Okay, and just royalty [redacted] amount, how is this compared to other Tommy contracts, as in Tommy's contract with Arvind Mills for apparel, watches they are in Titan. So how is that?

Abhinav Kumar: Similar.

Ankit K: Similar?

Abhinav Kumar: Yeah.

Ankit K: Okay, nice to know that. And sir, in the PPT, on page number nine, we have quite a few names, which we are in discussion stage. So are we in discussion with all these brands in terms of we have Fila Brands and all this?

Abhinav Kumar: That's actually just to give you an understanding of where we are in the -- in our this thing. As in what is our thought process. So, if you will look at all these brands, it doesn't mean -- it doesn't say that we are in discussions with all these brands. But what it says is that we are a fashion based player. So, we will never approach a category player. So, for example, we will never approach a luggage brand for that matter? Why will they give us a license? And we don't -- we are not interested in becoming distributors of various brand.

So, our entire business model or our philosophy is that we are bringing fashion to this entire sector, to this entire segment, to this entire product category, which currently is non-existing. So, we are the only fashion players in these categories. And hence, the brands that are featured over there basically gives you an idea that these are the kinds of brands that we would be targeting.

Ankit K: Sure. And you talked about three product segments that we currently are working. So any revenue split between the three? And are we looking for more product extensions also?

Abhinav Kumar: As of now, in terms of product extension, we're not looking at too many different product extensions. We would still continue to sort of do some experimentation here and there in a small way, where I'm not betting my shirt on it. So the idea is that we keep experimenting, but I don't like to bet my shirt on experiment. So while we might try say socks or something like that, but primarily, we're going to be sticking to our core competencies, our product categories that we sort of mastering.

In terms of the product split, if you see, for us right now, leather is a bigger category. So, our small leather goods contributes the highest, it will be close to almost 50% of our overall sales, whereas your travel gear and women handbags.

So travel gear will be another 40% 45%. Women handbag right now, because since we left and then Global Desi after that, since we don't have a brand right now in our portfolio, we just have our own brand. Hence women handbags becomes a smaller sort of a percentage. But that's the rough split.

Ankit K: And question on margins. So, we had 12.5% margins. And despite paying [redacted] royalty, while company like VIP and Safari are almost similar margins to us. How are we managing so well in terms of margins and any guidance you would like to give on margins?

Abhinav Kumar: Here. It is very, very clear right now, we are operating in the premium space. And we want to build, we want to strengthen this premium space. The moment you VIP and Safari, if you will see their major growth is coming from the mass segment, where obviously, the margins start taking a big hit. We currently are not focusing on the mass segment. I think that is -- it helps us in many ways. We are insulated a lot from inflation, because a premium customer for him a 10% of inflation doesn't pinches him so hard. He will still continue to travel, he will still continue to go out. So, he will still continue to indulge into fashion and premium products, luxury products for that matter.

If you will see the luxury industry in India is growing by leaps and bounds right. So, hence, obviously, our margins are better. We are a little better insulated also. So, the brand is such that we are able to command that premium and hence we are making in terms of our gross margins, we make much better money than that these guys.

Ankit K: So, as we are saying once we go to INR400 crore, INR500 crore type run-rate. So, we expect margins to even improve from here or it should stay here only?

Abhinav Kumar: See it will also depend on the new brands that we are getting in and get. So, the new brands are getting in, a couple of them are not in the premium space. So I'll tell you the market segmentation. So, how we segment the market is one is a commodity after commodity it is a mass brand. Commodity is you're unbranded, then you have a mass brand, then you have a mass premium, then you have a premium, then you have a bridge to luxury and then you have a luxury. That's the market segmentation.

We are currently in the premium space. At best we will go down to a mass premium, we are not looking at the mass space right now. So we'll go down to a mass premium, but even if you go down to a mass premium, there might be certain hit in terms of margins that you would be taking. So, but then the volume growth should be the volume and value growth should be pretty significant.

So, the way I foresee is that even once we reach INR400 crore INR500 crores if I'm not able to better these numbers of earnings, we would at least like to maintain the same. We won't come down in terms of earnings.

Ankit K: And my next question is on seasonality. How is business seasonality in terms of if we have a sale of say 100, how is it split between the four quarters?

Abhinav Kumar: See all seasons obviously seasonality plays an important role. In fact, if you see VIP has actually Q2, from Q1 it has grown by 13%

Ankit K: Yes, sir. And we have grown by 12.

Abhinav Kumar: And we have still grown by what 42%. So while there is seasonality, but I believe that right now we are very, very underpenetrated. VIP would be 10,000 point of sales or 8,000 to 10,000 point of sales, I'll be at what some 800 point of sales. So our penetration in itself is so much that I keep telling my team also that for us doesn't make a difference of seasonality. Once we hit INR250 crore INR300 crore then probably the seasonalities and all will start this thing. But right now, I would love to grow quarter-on-quarter every quarter.

Ankit K: For the coming few quarters we expect to grow.

Abhinav Kumar: That's what my aim is, that's what our internal targets are. We want to grow quarter-on-quarter. Because, there is so much more to the sort of penetrate. Right now the market itself is so huge, where we are not present. So we want to explore those markets. So the company has just started its south distribution. South was almost like a virgin territory for us. We don't have any stores in south. We were not present even in distribution in South. We've just opened south.

So, south as a whole territory for is right now almost vacant. So, the growth is going to come from all of these factors, plus then you add more brands. The moment you add again more brands again, the growth is going to come. So, while seasonality is there, but I think for us at least for the next few quarters it should not make a difference.

Ankit K: And in terms of you're saying 800 point of sales, how do we want to reach in two years?

Abhinav Kumar: Given obviously, sort of double our or more than double our point of sales by then.

Ankit K: Sure. And sir we have a unlisted company also in terms of IFF Offshore which has a stake -- also which has a small stake also in us and they have been selling shares. So can you comment any plans on merger and our -- that company's thinking?

Abhinav Kumar: See, this is a question that has been -- that has come to me earlier as well. And so, what I can comment right now is yes, there is a serious consideration on sort of merging the companies. But the decision would be made purely on merit. Though, we see a lot of merit and because this segment it helps to have your own manufacturing and also it helps us to expand into sort of other manufacturing activities also that if you would want to do, as an again only our own categories.

So Brand Concepts as a company is not a manufacturing driven company. My team is not exactly a manufacturing-oriented team. And I would not want to sort of dilute the focus of my team from retail brand management, product development to manufacturing right. So, it makes more sense to either take on already running machinery which has the entire wherewithal to sort of sustain and grow in the future. So hence, it is under serious consideration. But I can't comment anything further than that.

In terms of IFF Overseas shares being sold. Yes, we in fact had informed as many investors that I could have that we would be sort of selling those shares because during COVID, there were certain losses which were there in that company and certain dire situation which was there in the company. And to reduce all of that and realize and put some more money in the working capital of that company. So that because we seen our order books for full for the next like what, eight months. So the order books are full for the next eight months.

So there is a true -- this is the right time in India to be in the manufacturing and specifically our segment where China getting completely disrupted. So, we don't want to cope the growth of that company because of capital not being available and hence the decision was taken.

Ankit K: Sure sir. And in PPT are saying that we are looking to enter into manufacturing also. So, are we really looking or is it like we are looking to acquire something?

Abhinav Kumar: So as I said, if we -- if for example -- if we acquire IFF Overseas, the manufacturing comes in house, right.

Ankit K: And so finally, when can we expect a new brand? Is it like this year, we'll be getting it or it like next year?

Abhinav Kumar: Hopefully in terms of when you say year, are you meaning financial year calendar year?

Ankit K: Financial year is in next six months? Is it like possible?

Abhinav Kumar: Okay, so our target is the calendar year. So, hopefully, we should be able to.

Ankit K: Calendar year is only 45 days, right? In next 45 days we're expecting?

Abhinav Kumar: Yes. Hence I have said that I'm in advanced stages of discussion.

Ankit K: Sure. Great to know, sir. And that's it for my question. Thank you. And all the best.

Moderator: Thanks, Ankit. We'll take the next question from Rajiv. You can unmute and ask your questions.

Rajiv Gaonkar: Hello, am I audible?

Abhinav Kumar: Hi, Rajiv. Yes.

Rajiv Gaonkar: Good afternoon, and congratulations on good results.

Abhinav Kumar: Thank you. Thank you, Rajiv.

Rajiv Gaonkar: My first question at current run-rate, is it safe to assume that we can double up our revenue in second half of financial year '23? And where do you see it going in next three years?

Abhinav Kumar: See in terms of revenues, we are already at a run-rate of almost INR125 crores and INR130 crores -- no sorry, we are already at a rendered of around INR150 crores. So, if everything goes well, yes, I would love to double from last year. But we still see that typically our H2 is always -- has always been better than H1. And overall markets also -- overall market sentiment, retail sentiment of you'll see is going pretty strong. So until and unless there is a macroeconomic condition or a deterrent, which is not in our hands, I don't see any rhyme or reason why we can't do those numbers. So that's the outlook for this year, for sure.

And in the next three years or four years, if you ask me, I don't see any rhyme or reason why can't we keep growing at a 30% 35% CAGR every year. So that's the growth that we are targeting. And I've always believed in delivering more than I've committed.

Rajiv Gaonkar: Okay, what will be the key drivers for this growth?

Abhinav Kumar: Again, as I said in my last question also, we have lot of drivers. Market is under penetrated that becomes one driver. So expansion, business development becomes one driver, we have just what 27-28 stores in the country VIP is more than 400 Safari is more than 400. All these players are humongous store base. EBOs I'm talking about. We are only 27.

So we aim that by '25-'26 will be 100 store counter. So, a lot of growth, whether it is distribution, whether it is EBOs whether it is e-com, e commerce, so very, very happy to share with all our shareholders is that we got -- we got awarded as the best brand in Myntra for our categories, for travel and leather accessories category. We received the best brand award just last Friday beating all the biggies. So beating all the traditional brands, more than 100-150 brands in our category, including your VIP and Safari and Samsonite and all these brands.

So we've beaten them and become the number one brand. And Myntra is very, very prestigious for us because it's the biggest fashion portal in the country today. So, online continues to grow at a very, very good pace. We have been able to in fact, if you will see the contribution of online in this H1 actually is has gone down, right. If I compare with the previous, so from 55% or something sort of a contribution now we've come to a 51% which essentially means that our offline is growing higher than our online.

So in terms of market penetration reach growth, there is no dearth of growth over there, number one. Number two driver is going to be the brands that we sign. And once we have certain brands in the mass premium space that should really add to very good numbers. Because today, if you will see, we are actually adding quite a premium to our next sort of competitor. Sort of as against a VIP or American Tourister if I talk about these two brands, from our travel gear perspective, as I talked about.

We are almost at a 40% high. So you can get a Cabin of an American Tourister or a VIP at INR4,000 INR5,000 --5,000 odd, you get a Cabin suitcase or if you want to buy a backpack, you will get it for what INR1,100 INR1,200 INR1,300 INR1,500 kind of a price point. Whereas if you have to buy a Tommy backpack, it will cost you about INR2,500 to INR3,000 going up to INR8,000 INR10,000. And if you have to buy a Tommy luggage, our average starting price point is about INR7,000 to INR8,000.

So it's a good 40% 50% kind of a jump. So for a customer to make that shift for fashion, obviously that shift is a little difficult, right? But the moment you have a fashion brand, for which if you getting a traditional luggage brand for say INR5,000 and you getting a fashion brand for say a similar amount as a customer, what will you choose? So that's our endeavor.

So if we can bring that in this industry, I think we would have disrupted the industry hugely. So that's our endeavor. So, the moment we sign these brands in certain mass premium brands, which gives us that price parity, I think that in itself will be a huge growth driver for us.

Rajiv Gaonkar: Okay. Next question in say, next two or three years, assuming we are at INR300 crore revenue, what could it typically look like in terms of brand break up that is existing Tommy versus other brands?

Abhinav Kumar: It's very difficult right now to comment on such figures. But as I said, today, Tommy is almost 80% of our revenue at 84% of our revenue. And we would want to bring this level down. Ideally, I would want to bring it down to a 25% but obviously, Tommy is going to grow on its own pace and the other brands are also going to go on some pace. But in the long run if you will see we would want to bring this percentage significantly down.

But right now, to give up this thing of whether we reach INR250 crores whether we reach INR300 crores and exactly what probably would be in, that that will be a little far-fetched for me to comment on that.

Rajiv Gaonkar: Okay. My next question, what will be needed financially, management bandwidth wise, employee wise capability wise to get in new brands? And what is the plan to scale up on these Front?

Abhinav Kumar: So, brands question I think I've answered we are already in advanced stages. So, we are choosing the brands judiciously. In terms of management bandwidth, I think we have decent management bandwidth. We have a very, very strong team, whether it is product development, whether it is operations, whether it is finance, we are very, very, we have a very strong team in our play in place. In fact, a company of our size and even our board of directors, if you will see is a very, very good board of directors. I have always tried to fit in people from different skillsets so that somebody brings a very, very strong skillset to the table.

So from a management perspective, I think we're pretty good. In terms of employees, yes, we will continue to invest into good manpower and groom our own manpower also. I always believe in in grooming leadership. So that way we are pretty sorted.

In terms of capital, yes, whenever we sign these brands, and if you're looking at growth, capital would be required. And for that we're not shy from raising capital from the market. And at that point of time, we will take a judicious call with a very healthy mix of equity as well as debt so that you know our earnings are still good.

Rajiv Gaonkar: Okay. What will medium term to long term margins profile at EBITDA and PAT level consider new brands may not fire profitability in the initial year?

Abhinav Kumar: We shall still as I said that, considering all these factors of whether the new brands will initially not give us too much a profit, but your current brand will start delivering a little better because of economies of scale. But again, you'd have to invest into manpower.

So, as you know, it's a very complex -- what is -- how do we put it, it's a very tedious thing to sort of sit and analyze. And we've done all of that. So we've -- when we do our internal planning, we break it down to the T. So channel wise, segment wise, brand wise product category wise. So we deep down, we deep dive into our figures very well. And after having done all of that, is what I'm saying that I can safely say that we expect to if not better, continue delivering similar levels of profitability.

Rajiv Gaonkar: Okay. What's the plan on bagline stores for next three to five years?

Abhinav Kumar: We plan to open about 100 stores take the store count 200 from the current 26-27 stores level in the next three years. And most of it would be franchisee-owned. So, about say 25% of the stores would be -- would continue to be company-owned company-operated, 75% of our model is going to be franchisee-owned franchisee-operated.

Rajiv Gaonkar: Okay, how do you plan to fund this growth with respect to new brands and increasing bagline stores?

Abhinav Kumar: I think I answered that, for whatever growth -- whatever growth capital is required we would go in for -- we will not shy away from going for a fundraise for that. And then we'll take a mix of fundraise and then leverage our banking also a little bit.

Rajiv Gaonkar: Okay, thank you. That's it from my side.

Abhinav Kumar: Thanks. Thanks, Rajiv.

Moderator: Thanks, Rajiv. [Operator Instructions] Utsav, you can go ahead.

Utsav Shrivastava: Hi, so my one question is that, is there an opportunity to build this outside India as well? Or will we always be an India-centric company?

Abhinav Kumar: Hi, very good question itself. Thank you. So, yes. So, if you ask me from an inspiration, perspective, or vision perspective, I would love to see Brand Concepts be a billion-dollar multi -- a global enterprise. That's probably what the vision or mission is. And as we speak, in fact for one of the brands, we got an opportunity for foreign market. I went to those markets, I explored sort of putting in a distributor over there.

So while we intend to, I would love to see us expand internationally as well. But I also at the same time feel that India in itself right now has so much of opportunity, that I just fear that I should not get or my team should not get diluted in terms of their focus. So it's an interesting space that we are -- I can't say yes that we are going ahead internationally. And I can't say no also right now. So it's still in that contemplation stage. But open to the idea for sure.

In the long run 100%, in the short run, we still evaluating.

Utsav Shrivastava: So just as a matter of knowledge, which other markets which are good markets to be in for the categories that we operate in?

Abhinav Kumar: Yeah, one of the biggest markets or one of the best markets for us, if we start -- if I start international operations, I think will be Middle East?

Utsav Shrivastava: Okay.

Abhinav Kumar: The entire Middle East Market, Saudi is coming up brilliant. I think Saudi would drive the -- it's the right time to invest in Saudi Arabia, let me put it in that way. They will drive the sort of consumption and the growth I wouldn't say globally, but they will make a significant impact in the global growth. It's that stronger market.

Utsav Shrivastava: And these brands are not present there? The ones that already have our --

Abhinav Kumar: For our categories, they're not. They present in very, very small miniscule capsules here and there. [Indiscernible] [0:46:02] they are doing this. See, we are a very, very similar nature company, like how Reliance brands is, right. Though I'm always compared to a VIP and Safari, but I love to compare myself to either an Arvind or a Madhura or a Reliance, or a Titan, for that matter. Titan is a perfect example for us.

Utsav Shrivastava: I think Jubilant Food is a good example.

Abhinav Kumar: Yes. Page Industries, Jubilant Food all be very, very good examples for us. So if you look at Titan today, Titan has its own brand. Also, obviously, they started with their own brand, they built their own brand. But Titan, not a lot of people know this, but Titan has multiple licenses, multiple licenses. They are present with their own retail, they're present in others' retails also. So they present in shoppers, also, they're in distribution, also. They have their own stores, also. Various formats of their stores.

Similarly, if you look at Reliance brands, again Reliance, I think the management of Reliance or the owners of Reliance, I think one of the most smartest businessman of the country, talking about them. And they investing into so many brands acquiring so many brands, bringing them to India, it speaks volumes of where the retail industry, the fashion industry is going to go. He's obviously looking at, they know the future of retail, they know the brand story. Because all these brands stories have already happened in the Western countries of U.S., Europe, China, for that matter now.

So with multiple brands, multiple this thing. Now these guys are focused on apparel. And obviously [Indiscernible] [0:47:44] is a much bigger play. I am a focused accessory player. So the more brands, which come into India, more the opportunity for me to partner with all these guys. And deliver the accessories, so I become the go to partner for accessories. That's the whole idea.

So yes, so similar is the situation in Middle East. They're also all the big players are concentrated primarily on apparel. And this is a segment which is still quite open.

Utsav Shrivastava: Understood. Thank you. Thank you so much.

Moderator: Sir, we'll take the next question from Ankur. Ankur, you can unmute and ask.

Ankur Gulati: Thanks. Abhinav, quick question. From a supplier perspective. Let's say what is what percentage of your material comes from top 10 guys? Is there a concentration on supplier side?

Abhinav Kumar: Concentration on the supplier side? Not, in fact, till pre-COVID, if you ask me, we were quite heavily dependent on China for one of our categories. Actually, we have always been -- India was always higher than China, because a lot of categories, the leather category was all from India. And hence -- but the travel gear was obviously from China. And now thankfully, we've been able to in fact, pre-COVID itself we started working on -- we started sort of developing certain Indian factories, where the kinds of products that we needed the kind of quality that we needed. So we started working very, very closely with them.

And thankfully, we've been able to sort of develop a couple of vendors here, even for our hard luggage and soft luggage in India. So, and we are pretty diverse in terms of our supplier base. But yes, at the same time, it's not that we like to work with too many companies. We work with good suppliers, but every category will have at least three to four good suppliers. So we try and divide the orders. So no factory gets more than say 25%-50% of that category is total.

Ankur Gulati: So is there a risk that once these guys realize that you guys have grown to a certain level, then start charging you more that's coming on a private side, we were talking to the brand smaller scale, but they are among suppliers are kind of squeezing them because there was a reliance on one guy was doing 25% 30%. So just trying to understand that part.

Abhinav Kumar: No. The more we screw up, we given a lot of business to our suppliers. And in fact, now we are actually in the process where we speaking to all our suppliers that we would be having dedicated facilities inside this thing. So, number of machines dedicated to us. The costings are open costings. The suppliers understand that we can't squeeze each other, we have to grow up with our ecosystem.

Ankur Gulati: And when you're doing these dedicated lines, are you offering them a minimum business? Just like you're offering a minimum guarantee to grads?

Abhinav Kumar: Sorry, a minimum?

Ankur Gulati: So is there some sort of a minimum offtake guarantee given to suppliers?

Abhinav Kumar: Yes, every supplier will have MOQ. Right. So if you want to produce a for example, if you want to produce this as an item, it will come with a minimum order quantity. But thankfully, we are past that phase long back.

Ankur Gulati: Okay. Again, on the new brand, let's say you sign it on 31st December, it will take what six to 12 months to get first product out.

Abhinav Kumar: Yes. Really six months.

Ankur Gulati: And that's where you will need money for designing and whatever. Right. I was wondering whenever you need to raise some money, if at all.

Abhinav Kumar: Yes.

Ankur Gulati: So if I go back when you were saying INR300 crore topline in three years till F'24. And let's assume the new brand will add very limited growth. So it's still single band driving for next 15 odd months?

Abhinav Kumar: Yeah, no, I would say that. See, whatever initial phase Yes, you're right, is that once we sign a brand the first year is obviously always are small year. Because initial six-seven months is gone in product development and all that right. But post that once you launch and you've seen one season after that you usually start scaling up. So I would say first year of course, you're absolutely right. But the next two years there'll be a significant [multiple speakers] [0:53:10] coming.

Ankur Gulati: Out of 150 and we are on 100 today, 80% is this brand which is one this year? Let's do it by 30% so you will be at 150-160 with one brand in four years operationally. Extrapolated to second round so these two alone should take you to 320 something by F'26 assuming the Next brand is aspect. So just trying to understand is 300 more conservative.

Abhinav Kumar: What happens is when you sit to plot the numbers on Excel sheet then we get nervous, where have we reached?

Ankur Gulati: [Indiscernible] [0:53:59], Just last one, can you give the e-commerce and offline EBITDA margins, and post-rent in e-commerce and offline, what is the EBITDA margin?

Abhinav Kumar: Sir, you can say that e-commerce for sure is contributes better in terms of the bottom line. But actually more than EBITDA, we track something known as contribution. So what we mean by contribution essentially, is that after your margins, after all your direct expenses of that particular channel, after all your direct expenses on that particular channel, and having paid your royalties and everything, whatever left is your contribution.

After that come the central office expenses. And then you drag down your EBITDA after the central office expenses. So in terms of contribution margin, I can tell you that ecommerce will be contributing probably 2% or 3%, 2% to 4% more in terms of the contribution.

Ankur Gulati: Then the last piece is you're doing a lot of online sales does, let's say, Amazon or Flipkart share with you that where are they selling and then you can go and set up a store there.

Abhinav Kumar: Yeah, actually, what we started doing is if you will see, we started our marketplace operations last year. And when I say marketplace, what we do is we are the sellers on Myntra. We are a seller on Flipkart, we are the seller. So we are selling billing directly to the end consumer, which gives us a lot of insight on exactly what we're doing, where we are going in all of it.

And thankfully, now of my entire online sales, marketplace sales have started contributing to more than 20% of the sales. So it is giving us a brilliant insight on where our customers are, who our customers are. And we are able to upsell also, we are able to control the discounting, in fact, and controlling discounting is straight away addition to your bottom line. So we are able to do a lot of other things. It also then will start helping us in once we once we decide to start sort of building and scaling our own bagline.com all these insights, all these learning curves will start coming in very, very handy.

Ankur Gulati: So there's some sort of analytics going on, and basically helping yourself.

Abhinav Kumar: Yes, yes.

Ankur Gulati: Okay, thanks for that. All the rest.

Abhinav Kumar: Thanks, Ankur.

Moderator: Thanks, Ankur. We'll take the next question from Ashwin Reddy.

Ashwin Reddy: Yeah. Hi, thank you for the opportunity. It's great to see the numbers going. So my first question is on again on Tommy. So in general, how long are these agreements for? Seven years, in case you signed again in '23? So how long will it be there for?

Abhinav Kumar: Generally, the agreements are for five years, kind of a period with most of the brands? If you see the Tommy agreement also was for five-year renewal. Yeah. So we again approaching for the next five years.

Ashwin Reddy: So in the last one, you will say in case you assume that it happened in 2018, for example. So what were the key numbers that you had in mind? And are we tracking above or below that? So what are the numbers you had planned when you sign the Tommy in 2018? So that was it achieved?

Abhinav Kumar: Yeah, we're far ahead than that. So whatever I had committed to, for example till 2026. We've sort of done in this year.

Ashwin Reddy: Okay, great. Okay. It's great to know that. And in these agreements, do you have any clauses saying that they cannot go and tie up with, say, with the VIP or Safari in case they want to do like what Titan did right? In case they want to have in case they decide to have household brand strategy, and they want to ramp up that represents? Is there anything stopping them from tying up with VIP or with a Safari at a certain scale.

Abhinav Kumar: Till the time my agreement is in force and have delivering on the numbers and giving them their royalty on time, I'm giving them the reports on time. If I'm not reaching the agreement in any ways, they can't cancel me as a no license or can cancel the contract until there is a breach in the contract.

Ashwin Reddy: But after the period, say for example like in '23 ---

Abhinav Kumar: I can say, they can definitely evaluate. And they can sort of think of either going to a VIP or Samsonite or Safari or whatever. For that, two things need to happen. One is VIP feel sees already household brands Samsonite is already household brands, Safari is already household brands, right. And these guys are not into fashion, they are category play. So it's very, very unlikely for them to look out for license. They generally, they acquire rights, they buy a brand. So when VIP wanted to move into premium space, they bought Carlton.

Ashwin Reddy: Right. But the reason I'm asking this is actually. So the reason is so far, like because of the changing trends right now. It gets like a U.S. being seen as a fashion category. Will they be attracted to this category? And will they come in but that's the only thing I have, especially because Tommy is so important for us.

And it is quite big. I'm just coming from that point of view. So how do we better protect that in case?

Abhinav Kumar: As I said, there'll be two aspects here. One, the company wanting to take the brand and the second would, see Tommy worldwide is a $10 billion brand. They think of sales of INR100 crores IRN200 crores INR300 crores even matter to them? What matters more to them is how is their brand being treated? How is the brand being protected? Are you overexposing the brand? Are you selling it at every nook and corner of the town? Are you discounting it too much? So lot of weightages given to the franchisee partner, whether the franchisee partner understands whether he's a mass player or whether he understands how to take care of a fashion brand. So from that perspective, I would not be worried right now, of the brand going to either of these players, even if they are willing to take.

Ashwin Reddy: Got it. Got it. Got it. Fair point. And then just continuing on this, because Tommy has been with us from 2011, I understand right, 2010-11 the times is when you start signed up with Tommy first. So in the last couple of years, I mean, has anything changed in the way you guys operate, Tommy or any key changes that you want to highlight with your strategy operations or anything with respect to Tommy?

Abhinav Kumar: Yes, actually. So [technical difficulty] [1:01:49] share of learning curve Ashwin, and we're absolutely be transparent and open to accept it also that we made mistakes. We had a, there was a point of time when the more I grew, the more -- so while we were profitable, but from a cash flow perspective, if I see cash flow from operations was always negative. So pre-COVID itself, we started doing a few things were just using lack of -- so pre-COVID. itself, we started making certain changes in our business operation in our model where we started becoming a little more agile in terms of our churning of the collections in terms of our -- so for example, we experimented with a master distributor concept where, we started having a regional stockist. So the stock is then maintained by that regional guy, the regional stockist, who's and we collect the money upfront, right.

So while I might have had to shell out margins over there, but what it has done to us is that it has helped us usually improve the cash flows of the company. And hence for the past one and a half, two years, if you'll see, in fact, even during the COVID period, we were hugely cash positive. So the moment you start generating much better cash flows, you'll start seeing the results in your operations. So we very, very prudent about that. I wouldn't say that I was prudent on it from once we start with obviously when you start, till you reach scale, you have to spread yourself, you need to spread yourself.

And then for most of the companies, this economy of scale in retail, it has said that you hit this kind of economy of scale at INR150 crores INR200 crores. Thankfully for us, we've always beaten that market trend. We started becoming cash flow positive right from INR70 crore or INR80 crores of turnover. So INR80 crores to INR86 crores of turnover we were cash flow positive so for the past two years, we've been very well cash flow positive. And thanks to all the efforts of the entire team which has sort of made this possible.

Ashwin Reddy: Got it understood. And again so especially for Tommy, so what proportion of the sales comes from the company on company operated and franchisee-owned exclusive stores that you have and what is the online plus the large format stores. And it says the numbers have been given for the owner company in the presentation. But I'm just curious about Tommy specifically. How much is the LFS plus online and how much is the COCO plus FOFO [ph] [1:04:59] four that you have.

Abhinav Kumar: So the COCO/FOFO which is our own stores, if I talk about which is Bagline is what we're talking about right? So that contributes to 10% of the sales. In the large format, so COCO is -- they're almost equal 5% is COCO and 5% is almost FOFO, for the Q2 figures that I'm talking about.

Then, in terms of, if you look at online for us is about 51% for the entire H1, it's about 51%, 49% of the sales is offline. If you talk about -- if you add another EBO, which is the Tommy Hilfiger flagship store, which is the store, so there are whatever product that you see of smaller the goods and everything is through us. Okay, Tommy buys from us, and then puts it in their stores. So their stores contribute about 10% of household sales.

Ashwin Reddy: Okay, got it. Got it.

Abhinav Kumar: Yeah, rest everything. So 10% is their own stores, 90% is outside of their stores. And in totality, if you'll say, offline is 49%. And online is about 51% of our sales

Ashwin Reddy: Understood. That is actually quite helpful actually, to understand is better. And my last question actually, if you just go back in time, you had the acquired license for and global Desi right. So what happened there? What changed and what was your. So basically, what changed? Why were --

Abhinav Kumar: This scenario was just the opposite. While we were doing good sales, 80% of the sales was happening to their own stores. And we did good sales. So we were doing almost 70,000 to 80,000 units. So, we were doing almost INR10 crores plus of sales. The year that we thought of letting go of the brand. But I'll tell you -- so a couple of learning curves. What we understood is that apart from their stores, the sales was not coming, we were not be able to expand. And one of the reasons we realized these are very -- these are experiences which however many books you read, you get experienced only after you do it. It was such a small thing which we realized later that And Global which you will see both of you will see are Indian kurti brands. They are big brands, they are well known, they are the number one brand today in the country, kurtis and all of this.

Handbag is primarily a Western category. Handbag is a Western category. How many Indian potli bag can you sell? It's not commercially -- then it's not a big category. So the consumers were not able to actually marry the two one. A kurti brand selling a Western handbag. So while in both store where they had a captive audience, our truths were amazing, we were doing more than what 65% 70% sell through in full price. Seasonal sell through was close to between 81% 82% for global desi and touching 90% plus for and so while our sell throughs in there shows are brilliant. But then I obviously have very good relations with them.

So I went back and told them that why you give me the license. I'm not able to do anything outside of your stores. And at the same time, I'm not here to fund your inventory so you might as well [multiple speakers] [1:09:17] product management service, I can design, develop, manufacture and give it to you.

Ashwin Reddy: Got it. Got it. Got it. Got it. Great. Thank you so much for these. Thank you so much. And good luck.

Abhinav Kumar: Thanks, Ashwin.

Moderator: Thanks, Ashwin. We'll take the next question from Ankit.

Ankit K: Hi. Thank you for taking my questions again. So my first question is on the new brand that you're talking about. How much will be the breakeven target? [Technical difficulty] [1:09:44]

Abhinav Kumar: Your voice is a bit low, if you could speak a bit louder closer to your phone?

Ankit K: Sure. Can I try now?

Abhinav Kumar: Yes.

Ankit K: Yeah. So first question is on the new brands. As in you're talking about how much breakeven time will be there and will first year be loss making or first year outside will be profitable?

Abhinav Kumar: I don't think we'll be making a loss in the first year. The contribution might be low, but I don't think we'd be making any losses in any brand going forward. It'll be really very, very difficult to do that kind of in depth analysis. When you say loss in the brand, could you clarify a little more, whether it is a gross margin loss, are you saying?

Ankit K: Primarily EBITDA level loss because of how your cost of operations and on?

Abhinav Kumar: Our cost of operation already is there, and it's being taken care of by our current level of sales. So, every new brand will not mean that I will put the entire machinery again. Probably might be 5% addition in the new machinery. So, if my design strength for example, today, if I have said 10 people in my design team, for example. If I bring in a new brand I'll probably add two or three more right. I will not put an entire 10 member team. So incremental cost of doing that business is not going to be so high.

So no brand will give me a direct loss in terms of EBITDA. Yes, if the brand fails, and if we have produced certain 10,000 pieces, and the brand has failed, it is not doing well, it has gone to the dogs. And then I have to sell those 10,000 pieces at a discount or a throwaway price just to liquidate the inventory that could be a potential loss that we'll be looking at. And that's where the whole discretion of signing the right brand comes into picture.

So if we sign the right brand, I don't think we'll make any losses from year one.

Ankit K: Sure, got it. And in terms of key people management in the business. You are the one guy which is at the top. You are also in the content, so also are there other people, good enough people involved? Or is it like [indiscernible] [1:12:23] to be worried for the investor?

Ankit K: Sir, I'm sitting in this conference call because the rest of the team is working. So we have a very, very good team. So the COO of the company is a gentleman known as Mr. Nabendu Chakraborty. He is almost a 20-year plus experienced guy in retail. He was 11 years in Shoppers Stop, two years in Landmark Group Middle East, then he was working with Future Group in India. Before that, he was in luxury watch retail. So -- and he's always been an accessories guy. So very, very strong guy over there.

In terms of product buying, merchandizing, planning, and all we have a gentleman known as Mr. Sumit Jain, he's been with the company for I think what now almost eight years joined us from again Max Lifestyle Group, Landmark Group in India. Our distribution head is a gentleman who has joined us from, he was earlier with Ritu Kumar, he was heading the entire business development and distribution business for Ritu Kumar which is more than a INR300 crore company.

So yes, we have our finance head has been with us for pretty good time. Mr. Kalyan Maheshwari. He understands the nuances of finance, right from collections to manufacturing to everything/ Again, I think more than 20 years of experience.

So we have a very, very solid renowned very sound team. And I've always believed in the fact that a one man show can only lead you to a certain extent. So I empower my team not to take their own decisions, move ahead. And that's the overall culture that we have at Brand Concepts. So not worried on the team front. In fact, I'm actually very, very happy and proud of the team that we've been able to build.

Ankit K: That's very heartening to know sir. And in terms of I'm looking at shareholding pattern. So, there are Maheshwaris who are the promoters and you are in the public category holding 7% holding. Is that right and can you comment on the group?

Abhinav Kumar: Yes. So, they are the main promoters. So in fact, I started off -- I am a founding partner myself as an founding CEO myself. And I joined them when we when -- we were starting this company. And the idea was very, very clear that they were the main promoters. And I had joined in more as a [indiscernible] [1:15:45] at that time. And that's how it continues to be today. So they are the main promoters. And Pratik is the MD. And though he's not involved in the day-to-day operations of the company, because it's always prudent to have one person controlling the entire operations from that perspective, but he's involved in all strategic discussions and decisions and everything all decision strategic decision making discussions, he's definitely involved.

Ankit K: Sure, sir. And on the guidance side 30% growth, what is the risk do you see in this kind of expectation other than say global slowdown consumer and slowdown? Any other risk do you see?

Abhinav Kumar: Sir, if there is not a global slowdown and if the U.S. does not instigate another war, I don't see any other risk at the moment for us.

Ankit K: Sure sir. And last question is on the Tommy side and you are saying that we had 2026 targets which we have achieved in 2022 only. So how are the Tommy guys behaving with us, as are they really happy with the work that we are doing or how is it the things going on that side?

Abhinav Kumar: Obviously they were very happy.. So what happens is whatever number I give every year that becomes the base for that year. The next year's number has to be even bigger. But otherwise, I think our relationship has been something sort of a dream run till now, where Tommy working very, very closely on everything, right from product development to say yes to everything. So very, very strong. We in fact travel with the Tommy team, to the global Tommy's line opening every season. We are one of the licensees which travel every season with them with the whole team. And we make our selections over there. So even if we have to buy something from the global range, because there are certain there could be certain products, which you wouldn't want to develop here because it's very expensive, or you will not be able to meet the minimum order quantity.

So a small portion of our line, we import from the European collection, not the U.S. collection, the European collection, because that's really high-end. So to build a perception of the brand. So we traveled together, we figured out the buys together. And they help us executing the entire buy, because globally, they are registered into the system. Brand Concepts is not registered in their global buying system. So it is the India office, which is registered. So we place our buys together. So that we have a very, very healthy working relationship with them.

Ankit K: Sure, sir. That's it from my side. And wish you all the best.

Abhinav Kumar: Thank you, Ankit.

Moderator: We take the next question from Devvrat.

Devvrat Himatsingka: Hi, Abhinav, fantastic numbers.

Abhinav Kumar: Thank you.

Devvrat Himatsingka: Really, really happy to see that you guys are on the right path. I don't have too many questions out here. Just what is some clarity? I'm sorry, I joined the call late. I thought the call was starting at three. But yeah, I just wanted -- I just had one main question, what is the status on the brands? Like in the previous calls, you had mentioned that you were intending to sign a few brands? So what is the status on that?

And I mean, what is also the status on the Tommy license? I believe it expiring in 2023, so when do we get the renewal for that like, what is the status on that? And how many years of a license is it going to be?

Abhinav Kumar: We are pitching obviously for five years, but there is a internal block also over there. Hence, I will not be able to comment exactly on how many years we'll be getting. I have my meeting scheduled with them towards the end of this month or beginning of December. We are already actually what had happened is that we have submitted them certain numbers in 2021-22 itself. And now we are having to revise those numbers because the numbers that are submitted 2025-26. We've achieved that in '22 itself so the base has changed. So they've asked us to resend the numbers, new projections.

So, as we speak, we preparing that and sending it to them. Now, how the arrangement Devvrat is that, so Tommy Europe gives the license to Tommy India. And then Tommy India gives the license to its various licenses. So, what we were informed was that Tommy Europe had renewed Tommy India's license in 2021, when we had also submitted our numbers. And they had renewed it to '26. So, if they have this thing till '26 so, my first term will become through '26. And then it'll be another once they again renew after '26 for five years, then my second term, five years will happen post that. So that's a technical aspect.

But as I said, we are submitting our figures for at least five years. And let's see how it is broken into first term, second term and all of them. So hopefully, we should -- so Tommy, as I said, the discussions are already underway. And hopefully, sooner than later we should be able to close that and inform all our shareholders, number one.

Number two was on the new bands that you were talking about. Said actually, before you joined, there were these questions on the new bands. And we should be able to do it in this year, and then I say this year, this calendar year.

Devvrat Himatsingka: Okay. So, I mean, I think I would have that. So this calendar year, you're saying you can close two to three brands or, like what is your target? Like do you have a target in mind?

Abhinav Kumar: Two at least, a heavyweight and a lightweight.

Abhinav Kumar: For us is, so I think I've explained this in a couple of my earlier calls also. But I'll just reiterate myself.

Devvrat Himatsingka: Yeah, you said a heavyweight for something like a Tommy and the lightweight was a cheaper brand like something like maybe an Abercrombie or something. I mean, that's the only thing that came to my mind right now. But would it be something like that?

Abhinav Kumar: Yes, a lightweight is a brand which has the potential of reaching INR100 crores in five years retail. So we calculate everything through retail. So while our numbers are in wholesale, our INR86 crores INR87 crores of, INR76 crores of wholesale roughly transpires into two is the retail net sense. And when I say retail, again, after consumer discount, that's not the MRP, which a lot of brands actually quote MRP figures Myntra, Jabong - Myntra, Amazon all these guys, quote gross sales, which is MRP figures. We track it as what the consumer has paid for the product. So into two is retail, right, so 76 into two would be about INR150 crore to INR155 crores would be our retail in the first half. So we're looking at INR300 crore plus out of which 80% is Tommy. So you can say, if we assume that we're doing about INR240 crores of retail INR250 crores of retail incoming.

So if we have been able to build barring those one and a half, two years of COVID if I take off that we've been able to build in 8, 8.5 years we've been able to build from scratch zero to INR250 crore retail kind of our brand, in the same. If a brand has next brand, I will obviously not take another eight years to build up INR250 crores. I shouldn't be able to do that in four to five years. If I really do that, but the brand needs to have that potential to reach a 200 plus kind of number.

So any brand which we see that in the next four to five years, can cross a INR200 crore retail, which means INR100 crore at wholesale, we term it as a heavyweight. If a brand has the potential of reaching 100 plus in retail, which is 50, in wholesale in the next four or five years, we term it as a lightweight. And any brand, which does not have a potential of even reaching INR100 crores, we're not interested to waste our time on that. So that's how segregation is.

So I should be able to close one heavyweight and one lightweight in the near future. These are the two brands that we are in very strong discussions with. So hopefully we should be able to close both the brands.

Devvrat Himatsingka: Okay, so sorry, one last question. I mean you've said that, we've hit our 2025 targets for Tommy, already. Now, do we have any room for negotiation when it comes to royalties?

Abhinav Kumar: Both of us have moved in, they also have one. So hence they've asked me to revise the numbers you given very conservative numbers, revise and send again. So we again, going back on the drawing board we giving them a much higher?

Devvrat Himatsingka: No, but I will, what I would like to ask is, can we be hopeful of some kind of a royalty reduction or do you think, what is your sense of this? Do you think is going to be status quo, where we are today? Or do you think we have some room for a reduction in that? Because that just straight up adds to our margins?

Abhinav Kumar: See reducing is, is I don't see that as a possibility. A brand like Tommy, they don't reduce on their things. They would obviously, pitch for a higher percentage, because their logic would be very, very simple that if you're able to command say 30% premium on my brand, you might as well pass 50% of that premium. And you are still making 15% premium. So that's - it's always a negotiation. So where we learn, but I'm sort of trying that we at least get a status quo. The numbers are good, they're happy with the numbers. So let's see.

Devvrat Himatsingka: And how's our performance? As of today, we've gotten one and a half months into the quarter current quarter. So how has your performance been so far? Like, if you had to look at October-November,

Abhinav Kumar: In line with whatever I've been saying. So before you joined the call, in fact I answered one this thing that for us, our size is not so much and there is so much of opportunity for us to grow that I don't see seasonality hitting us too much. So I aspire to grow quarter-on-quarter. So far, the numbers are coming good. Let's see.

Devvrat Himatsingka: Okay. Thanks Abhinav. Fantastic numbers. Thank you so much. I hope we continue to do what we have done so far. Very hopeful.

Abhinav Kumar: Thank you, Devvrat.

Devvrat Himatsingka: Thank you.

Moderator: Thanks, Devvrat. And I think let's end it here now, because we've shot over time. So Abhinav, would you like to give any closing comments before we finish this?

Abhinav Kumar: Yes, I think Ashwin has raised his hand. There is a question.

Vinay Pandit: Ashwin, do you wish to ask a question?

Ashwin Reddy: Yeah. Hi, thank you for the follow up. So again, and Tommy just wanted to get some clarity. So the in terms of the design part of the luggage that we sell, and how much of the designs that we sell are designed by you or exclusively for India versus them being a part of the global catalog for Tommy?

Abhinav Kumar: 100%. All designed by us. All product categories, 100% designed by us.

Ashwin Reddy: And manufacturing part of it is completely by you only?

Abhinav Kumar: Yes.

Ashwin Reddy: Thank you so much.

Moderator: Thanks, Ashwin. Thanks everyone for participating on this call. And I would like to thank the management of Brand Concepts' Abhinav for giving his valuable time.

Abhinav Kumar: Yes, so I'll just conclude by saying that thanks everyone, for showing your faith in me in Brand Concepts as a company, in our business model. And I hope to always deliver more than I commit. And that's it. I think we are in a good space right now and would love to continue the momentum. So, thanks. Thanks, guys.

Vinay Pandit: Thanks. Thanks Abhinav. And thank you all participants for joining