



BRAND CONCEPTS LIMITED

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Date: 14th February, 2024

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

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

Symbol: BCONCEPTS

Scrip Code: 543442

Sub: Transcript of the analyst/institutional investors conference call as held on 12th February, 2024 for Q3 & 9M FY '24

Dear Sir/Mam,

With reference to the above captioned subject, We Brand Concepts Limited, herewith attaching the post result conference call transcript for the investors meet as held on 12th February, 2024 for Q3 & 9M FY'24.

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

**Yours Faithfully,
For Brand Concepts Limited,**

**Swati Gupta
Company Secretary & Compliance Officer
A33016**



BRAND CONCEPTS LTD

Q3 & 9M FY24

POST RESULT CONFERENCE CALL

Management Team

Abhinav Kumar – Whole Time Director & CEO

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Moderator: Ladies and gentlemen, I welcome you all to the Q3 FY '24 Post Earnings Conference Call of Brand Concepts Limited. Today on the call from the management we have with us Mr. Abhinav Kumar, Whole Time Director and CEO.

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

I would now request Abhinav to detail us about the performance highlights for the quarter that went by, the growth plans and vision for the coming year, post which we will open the floor for Q&A.

Over to you, Abhinav.

Abhinav Kumar: Hi, good afternoon, everyone. Thanks for taking out time and joining the call. So Q3, we've continued our growth from last year. So quarter-on-quarter, we've again delivered a 44%, 45% kind of a growth from the last year quarter. There has been I've mentioned this even during probably my last call and a couple of interactions with a few of you here that there is a little bit of a slowdown, which the entire market is experiencing in terms of retail. But however, that has not deterred us from still embarking on a high growth journey.

From Q1, Q2 to Q3, there's one change which is for sure there, and you will even in that updated investor presentation, you would have seen that corporate sales, which we had got a couple of orders quite high in value in Q1 and Q2. And suddenly, hence, we had seen a big jump in the corporate sales. Q3 corporate sales are not something which every quarter, you'll see the same kind of a jump or a growth. So Q3, obviously, we've gone down on the corporate sales.

But the good part is that all our other divisions, mostly most of the other divisions, offline continue to sort of expand and penetrate across the country in various regions. And hence over there, we are seeing a growth not in like-to-like, but overall business has definitely grown. E-commerce, while it continues to be to have a Lion's share in our business, but for some strategic calls we've also changed a little bit of a strategy in the e-commerce, and we've seen a temporary dip also quarter-on-quarter from Q2 to Q3 if I talk about. We've seen a temporary dip in e-commerce sales, primarily on the B2B side, but our

B2C side still continues to grow. We've seen a good growth over there.

So, in terms of the new brands, we are running a little late on our timelines. I'll be honest enough to admit that that we are running a little late in launching of the brands. However, now the stocks are in, and as we speak, we've started rolling out, actually, the rollout started happening from December onwards. So, which we had expected that probably by around November. October, November is when we would have majorly started the rollout. But we're running about 30, 45 days late in that entire rollout, give or take around two months, 45 days to 60 days. We're running a little late on that.

But nevertheless, now we have the stocks, and we are now expanding our footprint over there. The initial figures are quite encouraging. They're quite good. The products are being very, very well accepted in the market. We recently in fact, did our back-to-school collection launch also, and in Benetton. And that also has received some good reviews, good response from the market. So hopefully, going forward, we can definitely see a good sell-through in our new brands as well.

Yeah. Again, coming to the bottom line, I think our gross margins have improved. So as is again, it's clear in the results as well that our gross margins have improved. However, it was a strategic call where we embarked on a marketing campaign in this quarter, which was around the World Cup. We did our first television commercial campaign with Arjun Rampal as our Brand Ambassador.

And, I would say that the campaign has worked really well for us. The campaign has done really well for us. Not probably immediately, you might not see the culmination into sales, but overall, as a brand perception as from a long-term standpoint, from a long-term strategy point of view, I think the campaigns have done very well for us. It has established us in this category as a serious player, and the market has sat up and took notice. And in the subsequent quarters, we'll see the impact of this marketing campaign.

Yeah. That's the long and short of it. Otherwise, all good from my side. I think we can start taking questions because that's where we take most of the time, Vinay, so.

Question-and-Answer Session

Moderator: Yeah. Sure. We take the first question from Devvrat. Devvrat, you can go ahead, please.

Devvrat Himatsingka: Hi, Abhinav. Good to see, the revenue number sustaining, but I have a small concern on the margins taking a hit. Is that particularly because of the world cup revenues? I'm sorry. I'm late two minutes ago, so I may have missed out on your starting statements if you already covered this.

Abhinav Kumar: Yes, Devvrat. So, yes, if you see, last entire financial year, if you'll see our marketing spend was around 1.9%, 2% of our overall turnover. Whereas in this nine months, you'll see our marketing spend spending up to more than 5%. So yes, 3% plus is the expense only on the campaign that we did. But it was a strategic call. We had to do it, looking at expanding Bagline stores, looking at expanding into more locations. And hence it was important for us that we solidify the position of Bagline. So the objective of the campaign was twofold. One was, obviously targeted towards B2C, which is the end consumer and making Bagline name familiar to the end consumer.

But an equally important task was to make the name familiar in the B2B circuit, right? So we aim to grow a lot through the franchising route. And hence, it is important that we start doing some brand building activity around Bagline, and that's the reason we took this. And yes, you're right. Primarily on count of marketing is where the margins would have dropped. But I wouldn't say completely that the margins would have dropped that, because I've always maintained, Devvrat, that in spite of high growth and everything, what I would like to maintain is a 5% to 6% kind of a PAT, and that's what we are maintaining.

I've never said that, we are targeting a higher EBITDA or a higher PAT level, at least for the next couple of years. Whatever money that we earn, we're going to be putting it back into the business to investing it back into the business either it could be in the form of marketing, it could be in the form of infrastructure building. So that we are prepared for a long journey.

Devvrat Himatsingka: Okay. And Abhinav, also what's the -- how's the new factory coming along? And how's the merger with IFF Overseas?

Abhinav Kumar: So merger, I think we are already underway. All the paperwork and everything is already underway. And we expect SEBI's approval. There was small little queries here and there, which we've replied to

the exchange, and hopefully, either by the end of this month or say beginning of next month in routine whatever time that the exchange takes, we should be having that approval.

Devvrat Himatsingka: So this consolidates into the balance sheet then? I mean, after approvals?

Abhinav Kumar: No. So we are keeping the effective merger date as 1st of April 2024. So that we don't have to suddenly reconcile in Q2 or Q3 or whatever. But this takes effect, so it takes effect from 1st of April 2024. But till the time we don't receive the NCLT approval. So once you get the approval from the exchange, from the Board, there thereafter, you file the file in NCLT. And NCLT takes about whatever six, seven months, eight months. So once we get the approval from the NCLT, that's when you'll start seeing the consolidated numbers. But we've kept the effective date of merger as 1st of April 2024, so that this entire year, we'll see the consolidated figure.

Devvrat Himatsingka: Got it. Okay. Great. Thank you so much.

Abhinav Kumar: Thanks.

Moderator: We'll take the next question from Swapnil Kabra. Swapnil, you can go ahead.

Swapnil Kabra: Hi. Firstly, congratulations on good set of numbers.

Abhinav Kumar: Thank you.

Swapnil Kabra: I believe we have silently added products from guest brand. Can you share some?

Abhinav Kumar: Yeah. So, it's an experiment, Swapnil. Till now we've maintained that, in Bagline, we sell only our own brands or the brands that we have the license for. But sometimes last year, we experimented with a related category, but an outside brand, by the name your Travel Blue. So Travel Blue, I'm sure all of you would have travelled through airports and to airports from here and there. And you would have seen Travel Blue counters, which sells right from your pillows to eye masks, to chargers, to such kind of travel items, and we gave space to Travel Blue in our stores just to test the model, it was a non-competing product as well.

We tested that. We saw a good result of Travel Blue. And we have been lacking in a little bit of our handbag's portfolio. We don't have very strong brand till the time. Now we have UCB, and we are launching women handbags in UCB. But in terms of women handbags, all we had was Sugarush, which was our in-house private label. And hence, we thought of experimenting with in the handbags category, at least, experimenting with a few outside brands. And guess to share that guest has expanded with us in 15 stores of ours.

And Tommy women handbags also, we don't have the license, that Aravind directly does. But looking at all of this, from this season onwards, Tommy women handbags also would start becoming a part of our stores.

Swapnil Kabra:

Yeah. Thank you for that. And I have another query. As we keep on adding new brands, there might be this space constraint, and how are we going to solve this problem of space constraint? Because recently, I've been to Mumbai, and there were two stores. One was a dedicated Tommy Hilfiger store, and the other store was having the other remaining brands. For example, UCB and all. So how are we going to solve this problem of, when we add new brands, they will be competing with each other as well as we'll be having this lack of space for new brands?

Abhinav Kumar:

Yeah. So in a way, yes, you're right that some current stores, say earlier, Swapnil, when we were opening stores, the ideal size for us was about a 400, 500 square feet store. But now as we are growing and as we are having more brands, we've also started taking bigger stores. So now the average size that we look at is a 700, 750 square feet store. So this will solve the problem at least for the next one or two more brands.

However, you're right that tomorrow, if you want to become a house of brands and we want to have eight to 10 different brands. And if you're having so many brands, will all of this get resolved at the retail level? Probably not. And, hence, over there we'll have to start becoming a little more conscious of the brand that we are putting in our retail store pertaining to the location of the store.

So for example, if it is a Tier 1, if it is what do you call it a premium mall, Tier 1 city. A few brands will not find space over there. The value brands or the lower price point items will not find space over there. It'll be all the premium brand, the premium price points, the higher price points.

Whereas if you're having a store in say a Tier 3 city or Tier 4 city, and it's a high street location, over there probably the merchandise mix of the premium brands or of the high ticket value items will go down. The value will take more space. So it'll be a very dedicated focused merchandise that we'll have to send to all the stores. And that's the way, we feel that we'll be able to resolve this.

Swapnil Kabra: Last question from my side. Recently, I saw that we are also targeting kids' segment under the brand Tommy. So can you shed some light on that?

Abhinav Kumar: Yeah. So we did our back-to-school launch. We were initially doing it. So we did it for, Benetton, because Benetton sits perfectly well in that price segment. However, there is also a growing demand. There is also a growing consumer, the rich affluent parents, who want their kids to probably carry a Tommy Hilfiger, who don't mind spending ₹2,000, ₹2,500 on a kid's backpack. So we launched a limited range of Tommy, also in the back-to-school division. But the major thrust was on Benetton back-to-school.

Swapnil Kabra: Thank you. I'll join the queue again.

Moderator: Thanks, Swapnil. We'll take the next question from Rizwan Patni. Rizwan, you can go ahead.

Rizwan Patni: Hi, Abhinav. Good afternoon. How are you?

Abhinav Kumar: Hi, Rizwan. Thanks and good afternoon.

Rizwan Patni: Abhinav, first thing on the holding, which is the promoter holding. And if you don't mind to ask your personal holding, both has been reduced last quarter. So I understand that this was for some purpose of the CapEx and all these things. Are we further planning to dilute in future? Because as the road goes further and what is our aspiration to reach 500 revenue and to reach 800 stores and to add up new brands, will the promoter holding or your holding will be further diluted?

Abhinav Kumar: My holding, I have not sold a single share till now.

Rizwan Patni: It's showing on the screen there, so I don't know then.

Abhinav Kumar: No. Mine would have reduced because we raised pref. We did a round in Q2, and hence as a percentage probably everybody, once you do a

pref round, the overall share base increases, right? So, it would be showing more from that perspective. Yes, there were some promoters selling which had definitely happened. I think Q1 or Q2, whichever ways, which was as you rightly said for some requirements. But as of now no plans any further of selling.

Rizwan Patni:

Okay. Thank you. Another thing is regarding the new facility or the new unit which is coming by FY '25, so what basically is the timeline to as I know that we have taken the land, and then you have to build up and the machineries and all those things so...?

Abhinav Kumar:

Yeah. So with everybody's blessings and everything, Rizwan, we've already done the Bhoomi Pujan.

Rizwan Patni:

Great.

Abhinav Kumar:

So Bhoomi Pujan is done, the layout plan, everything is almost finalised. We floated the tender to various different project guys. We've already received quotations from some seven project guys. And hopefully by the end of this month, we would be finalising one of them. And March is when we expect that we will start the actual construction over there.

Once the construction is underway, once we start seeing that, because the machine would take about six months, whereas the construction would take about 10 to 12 months. So another six months down the line. We again have quotations from all the machine vendors. We should finalise the machine also in March. I hope to give the initial order by the end of Q1 or beginning of Q2 next year.

And so while I've mentioned FY '25 is when we will actually start seeing the production and pieces coming out. But we aim that by next Q1, we'll start at least with the first batch. We'll start with the -- then for us, it'll take about one or two quarters for that entire thing to settle down to start giving you the best of the result, because initially there'll be iterations, there'll be issues, there'll be teething troubles and all of that. So that's the timeline that we're working on, Rizwan.

Rizwan Patni:

One more thing, regarding the supply to the canteen store, which we are starting from April as I can recall again. So isn't it, on canteen stores when we put those products are on heavy discounts? If you can give some understanding on this as well would be helpful.

Abhinav Kumar:

Yeah. Canteen store pricing is obviously better than your retail or your trade pricing, because but it is also on the count of subsidies and everything that they get. And plus, it's also on the count that it's a direct retail. So, they don't keep any margins. So for example, if we build them at say for example 50% of the MRP over there the consumers or our army personnel, they get it more or less at the same price. 9% is something that the canteen keeps for its operational purposes.

Unlike, in the traditional market where if you're billing it to a distributor, the distributor will keep its own margin, then the retailer keeps its own margin. So net-net for us, our wholesale is going to be pretty much in the same genre. Yeah, probably 3%, 4%, 5% up and down. Not much of an impact. But pricing to the end consumer has a lot of advantage because there are no middle men over there. So but from our perspective, I think whatever additional that you pass on from the perspective that you're supplying to the Indian Army. And from that perspective, whatever additional margin that you shell out, you shell out that. But otherwise, it's not that it gets discounted or you are running heavy promotions or something of that.

Rizwan Patni:

So why it's in April? Why we are not targeting for this quarter, or is there a timeline only to start at that time? Are we preparing something?

Abhinav Kumar:

Yeah. Actually, what happen is that once you get the approval letter from them. That's when I informed the Board, then it takes a minimum time because now all these canteens also unlike the yesteryears where everything was manual, this has also become very, very organised. So you need to have your indexes registered in every canteen, they run on their own software, right? And just like how you would do it in Shoppers Stop, where you create a master, you get your indexes, uploaded their masters. So all that process happens across various depots and then canteens and all of that. So that entire integration takes some time.

And then the orders are generated at every, what do you call it, depot level. So typically it takes about two to three months. However, I'm happy to share over here that we've got our first order already from the canteen, it's a small order, but nevertheless some ₹25 lakhs, ₹30 lakhs but nevertheless, we've at least got our first order. So hopefully, and this we should be able to supply within this quarter itself. So at least we'll start seeing the product reaching over there. And there also it'll will be more depots that you reach, the more canteens that you reach,

and the more popularity that you gained. So I'm hoping that this should turn out to be a good channel for us.

Rizwan Patni: Sure. Abhinav, regarding the store opening we opened almost four stores or three stores, two in December, one in Jan in Saket, and I think we are coming up with one more in Borivali. So how many stores we are planning for the next six months, say, if not this quarter or at least for next six months?

Abhinav Kumar: I would rather answer this in a different way. Last year, we exited with about 28 or 29 odd stores, last financial year March 31st. We exited with some 20, if I'm not mistaken yet 28 odd stores, 29 stores, whatever. And this year, hopefully, we'll exit with say 42 odd stores. So we would have probably added 13 to 14 stores within this year net-net.

And but from next year onwards, we aim to add more number of stores. So I would love to see new store addition going up more than 20 stores, 25 stores, between 20 to 25 stores in the next year. We aim that. Now currently, we are at 40 stores, and I aim that in the next 18 to 24 months, can we take the store count to say around 100 stores?

Rizwan Patni: Can you please come back, I just missed the line.

Abhinav Kumar: Today we are at 40 stores in totality and in the next say 24 odd months, the next two years, I would love to cross the 100 mark. We would love to have 100 stores across the country.

Rizwan Patni: Good. Just last, I'd request to accept one more question, please. Regarding in this the current running year '24, are we getting any new brands, fully launched and on sale, or it will go beyond '24 to get in new brands, because there are discussion of two, three brands, what you have informed us in previous calls also.

Abhinav Kumar: Right. As and when we have a brand closure, rest assured the very next day, we'd be putting out the announcement of that. But see if you look at even Benetton and Aeropostale, I always say this that getting or launching a new brand is just like bringing a baby in this world. It takes about nine months. And that's what we took even in UCB and Aeropostale, because you need to open moulds. For the first time, you're designing all the products, you're sampling approvals. All of this takes time. So even if we announce any brand in this financial year, there'll be no financial implication of those brands in this

financial year. Whatever brand, whenever we announce, you should calculate nine months from there for the launch of the brand.

Rizwan Patni: Thank you so much. Always pleasure to speak with you.

Abhinav Kumar: Thanks, Rizwan.

Moderator: We will take the next question from Anurag Agrawal. Anurag, you can go ahead.

Anurag Agrawal: Hi, Abhinav. It's a pleasure to talk to you every quarter and thank you for your candour, and detailed answer for previous questions as well. I have a couple of questions. Can you give some picture towards the new deal that we have signed, the renewed deal we have signed with Tommy Hilfiger? Is the royalty higher or it's in the same ballpark figure like the percentage wise?

Abhinav Kumar: Yeah, due to whatever NDAs and non-disclosures, I'm not allowed to talk about the commercial terms of the agreement, but as I had mentioned earlier also, it's all in a similar genre. And this we have signed for three years as I had explained earlier also that, they have a cycle with their international partner as well, and we have come right middle of that cycle. And hence this as of now is signed till 2026. And hopefully after 2026, we expect that we'll fall in line with their international cycle. So the agreement tenure would be little longer.

Anurag Agrawal: Got it. Apart from that, so when do you think like, when do we see the ESOP cost fading away?

Abhinav Kumar: I think ESOP, would be here to stay because I would want to reward my team as well, we would want to have an ESOP policy constantly going. And to be honest, if you'll see, I believe ESOP is only a line adjustment. It's not a cash outflow out of the company. And in fact, once it is exercised, you get the benefit of income tax as well. You get a deduction and all of that.

So, I don't see any rhyme or reason why you should not have an ESOP policy and why you should not keep rewarding your people. Because at the end of the day, it's your people who are making the business happen, right? So if they're happy, if they're well taken care of, they're bound to give you a very, very good result. So it's more a cultural listing Anurag rather than any other aspect over here.

Anurag Agrawal: Got it. Last one. Could you throw some light towards like Q4, as you mentioned like in Q3, we started rolling out the products for the new brands that we signed earlier. So do we see Q4 performing better as compared to Q3?

Abhinav Kumar: I wouldn't say performing better than Q3 or not, I'll not be in a position to say that because March has its own nuances. Most of the companies, they don't take billing towards the latter half of March because everybody is going through their audits and all of that. They don't want year-end new stocks to come in. And hence March is always tepid, but Jan-Feb is going decent till now.

However, as I mentioned earlier also, there is a little bit of a slowdown, which whoever I interact with. And if you see in fact, most of the retailers also and the results, whether it is Shoppers Stop or whether it is Lifestyle. You'll see an impact of retail. I wouldn't even say, slowing down, but I think there is a correction which is coming. There was a lot of pent up demand, which was happening. And now I think it is more or less stabilising. So it's not that it's bad, but yes, the kind of growths, the kind of this thing that we were seeing, that's a little subdued today.

Anurag Agrawal: Got it. Thank you so much.

Abhinav Kumar: Thanks, Anurag.

Moderator: We'll take the next question from Yashowardhan. Yashowardhan, you can go ahead.

Yashowardhan Agarwal: Yeah, hi. Congratulations on good sets of number.

Abhinav Kumar: Thanks, Yasho.

Yashowardhan Agarwal: I do have some questions. So the first question is that in terms of cost, what is the cost associated with signing a new brand? And is it a one-time expense, or is it recurring? And secondly, when the company onboards a new brand, does it require a new design team for the product development, or the existing team is good enough to like design and all to everything else?

Abhinav Kumar: Okay. To answer your first question, whenever we sign a new brand, depending on the size of the brand, the selling of brand, there is no upfront money or whatever upfront money that is involved. That's not of a significant value because you're opening moulds and you're doing

all of that. So that investment would not be that high. It'll be anywhere between under a crore, right, ₹50 lakhs to ₹1 crore is what you would spend.

There is no one-time fees or anything that we generally sign. It's all a part of the royalty that we signed. The money basically, primarily gets involved in the working capital. So in stocks and debtors, that's where the investment comes. And that investment will always depend on the size of the brand or the business that we're targeting from that brand. So if it is a small brand, you will have less inventory. You will have less debtors, but if you have a big brand, a heavyweight brand, if you sign, the investments can go anywhere between ₹10 crores to ₹15 crores. And this investment is, as I said, it's a working capital investment. So this will take care of itself till a certain point of time. As in ₹10 crore, ₹15 crore investment you can look at, say initially you could look at a ₹30 crore, ₹40 crore kind of a business.

Over the years, then this starts stabilising. And you are able to do ₹3 crore rotation. So if now if you've grown that business to ₹100 crores, you'll still be investing about ₹30 crores, ₹35 odd crores into it. But that's again towards working capital.

Yashowardhan Agarwal: And what about the design team?

Abhinav Kumar: Yeah. The design team. So, no we don't add a completely new set of design team. We already have good people at the senior level. And hence, I want to retain all these people, and hence, we promote the ease of policy and all of that. But so at the top level, you don't necessarily require anyone today. But yes, you keep on adding at the lower levels. The team keeps increasing, of course.

Yashowardhan Agarwal: Okay, sir. That's helpful. My another question is that post World Cup advertisement that we have done, and what is the response from that? Not in terms of sales, but the franchisee enquiry that we would be seeing right now?

Abhinav Kumar: Very good. In fact, the Borivali store that you see is basically, it's a franchisee store, which we are opening. I was again on a market visit very recently, and we're planning to open a few more stores. So we are getting franchisee enquiries. So I think the impact has been very, very good. The soft impact of that campaign, post that campaign, we also did -- we did invest another decent amount in a Trade Show that we did in December in Indore, where we call the entire industry, right from large format stores to our dealers, distributors, to our franchisees,

to e-commerce, and you name a player and everybody was there. And we launched our new season collection over there.

In fact, we were the first ones to host a fashion show of bags and of luggage. And once you do all of this, it solidifies your position. So whereas, most of the large format stores are so constrained for space. But now touch wood, we are getting space even for our new brands. We're getting space in their stores, and hopefully very soon, we should be able to roll out. So Benetton, for example, in a few large format stores. So all of this, yes, has a lot of impact and it has been taken up, by the industry in a very, very positive way.

Yashowardhan Agarwal: That's really nice. My another question is that, if we look at the other expenses, they were around ₹40 odd crores in last year. And if you look at the current run rate, it will be somewhere around ₹65 crores, ₹70 crores in this. So how should we look at the other expenses increasing, because as you mentioned that the ESOPs will keep going. And we might invest further in the advertisement and all. So if you can share some insights on that, that would be helpful?

Abhinav Kumar: So actually other expenses again takes into account all the expenses. So right from marketing to, even the selling distribution logistics. So for example, logistics is a direct percentage, right? So the more you ship, the more you pay, correct. So if your sales is jumping by 50%, right, obviously, your logistic cost is also going to jump by 50%, right? So all that is comes under other expenses. So it's a very broad listing.

But as I said, our overall cost structures are pretty much under control. It's just that we've consciously put in extra money in terms of marketing, and that also has been put in from the same pool from where we are on, right? So whatever we've earned extra, we sort of probably put it over there. You could see it probably in that light. Most of the other expenses for us, remain well within our budgets.

Yashowardhan Agarwal: So like, in the other expenses, we can assume that they will be in line, right, with increase in sales and not much of a lever in increase in that?

Abhinav Kumar: Yeah. It'll be always, in line with in lieu with the sales and not go haywire from that perspective.

Yashowardhan Agarwal: And can you also please share the quantum of ESOP expenses this year as compared to the last year?

Abhinav Kumar: I think, you should add about 0.8%. So if you, if my actual PAT is at 4.7%, you add 0.8% to it. So it's around 55% odd max for every quarter.

Yashowardhan Agarwal: Okay. And can you answer just one last question. Post our capacity addition, what will be our dependence of the third-party for the bags that we are sourcing? And if you could also share the product sales mix?

Abhinav Kumar: Yeah. Actually, right now, that facility is still at least four quarters away, right. And there also, we are sort of going a little. I'm first putting in one extruder. It should give me a capacity of around 25,000 odd pieces a month. Yeah. And though the space that we have acquired and the area that we have acquired, we can definitely expand to from this 25,000, you can go up to a ₹2.5 lakh, and still you will not require any other land to be purchased.

So but I first like to, as I said, we first would want to set up one extruder. Three units, as in three lines. Take out this 25,000, ran it for three to four months, five months. Once we feel that, yes, everything is perfect. We've seen all the treating troubles, we have the exquisite experience. Everything is going seamlessly well. Then depending on your size and market potential at that point of time, you can add another 10 lines at one go. How does it matter?

So but in the first phase, if I talk about 25,000? By then, I expect that our luggage requirement internally would be much higher than that. So, I expect that from this unit, we will have it will, it might justify at best 50%, 60% of our requirement in the initial phase. Eventually, yes. We would love to see that at least 70%, 80% of your entire requirement is being met through your own unit. And 10%, 20% for a particular kind of a product or a different kind of a product or something that you are not able to produce, you need to go out that kind of a scenario. But to be honest, this kind of a scenario will take at least two to three years at least.

Yashowardhan Agarwal: So, see product sales mix for this quarter and nine months?

Abhinav Kumar: Yeah. So product sales mix, if you talk about our Travel Gear division has really started to do very well. And overall, if you will see our luggage contribution for this quarter is almost 42% kind of a contribution will be coming from luggage, and backpack is

contributing another 11%. So put together, if you'll see, 53% odd is now coming from Travel Gear division.

Then we have others also, which is another 5.5%, 6%, which again has a lot of gym bags and all of this. So you would actually combine that also over here itself. So roughly almost 60% now is coming from Travel Gear. Belts and wallets which used to contribute, quite significant earlier has seen a little bit of a slowdown as well, to be honest. Because as I said, retail, there is a little bit of a slowdown, and that slowdown is more pronounced. Travel Gear at least touch wood is beating that curve of slowdown. But belts and wallets, because it is also available through all retail channels is seeing a higher impact. So that now has come down to almost 33% odd of our overall portfolio. And 8% is about handbags and women's category.

Yashowardhan Agarwal: Okay. Thank you so much, and all the very best for the future. Thank you.

Abhinav Kumar: Thanks.

Moderator: We'll take the next question from Jinesh Joshi. Jinesh, you can go ahead, please.

Jinesh Joshi: Yeah. Thanks for the opportunity. Basically, I have a question on our strategy with respect to entry into CSD segment. Now if I understand right, it is plagued with the problems of working capital. And a lot of pilferage also happens there. And if I talk about bigger players like, VIP and Safari, their share in CSD has been falling for quite some time. So what is the thought behind entering this channel? And will our products be available on a Pan India basis in all CSD stores, or will it be more region specific, so to say?

And just a related follow-up is that, say within the next two to three years, what can be the share of CSD in our overall channel mix?

Abhinav Kumar: See, both the questions are hand-in-hand, Jinesh. So to answer whether the channel has a lot of pilferage and all of that, I think the channel also has taken notice of it or probably would have. Because today, what I hear is that it, CSD canteens have become much more organised than what they used to be. Now nobody without a canteen card can even enter the premises, right?

So earlier, what used to happen was that relatives and relatives' friends and anybody, was able to sort of go in. But today, you're not allowed

to enter the premises, if you don't have a canteen card, right. So it is getting much more organised, and I think see becoming organised is the only way for all retail, whether it is distribution, whether it is franchisees or whether it is mom and pop stores or be it canteen stores. Today or tomorrow, they will also become very, very organised, because technology is something that is touching every retail aspect today.

Even the Kirana stores are getting much more organised, right. So this is we're talking about canteen stores department, right? It's one of the largest organised retail chains in the country today. So to answer, what is the strategy behind entering this? It is a big market. We want to serve this consumer.

And more importantly, it's a very prestigious location to be in considering that our defence forces, why should they not have the opportunity to have the best of fashion, the best of products being available at their location. So and on top of it, yes, of course, it is a brilliant market. It's a huge -- they're saying it is one of the largest retail chains in the country, so it's a no brainer that you would want to enter that kind of a chain.

Having said that, I will not be able to comment why VIP or Safari, or any other player has been losing their market share over there. We are very, very excited in entering the canteen stores department. However, having said that, again, answering your second phase, which is where all will we be available? Now if you see the number of it runs into 1000s of stores, right? We can't, virtually, we don't have the capacity or the wherewithal right now to be present across every single listing.

So initially, yes, we are going depot wise. We're going region wise. We're going depot wise. We're going to their top 50 depots. We're going store-by-store. And it's, again, we are sort of creating shop-in-shops. We're creating a different display over there for them. It's a plug and play display model.

So we'll be shipping all the display material from here. It goes, gets tagged over there, so that the brand is represented in the right way, in the right fashion. So yes, doing all of this, I would say that it depends how fast we are able to expand, and whether we would want to expand that fast where we are not able to control everything. So I would say that, while a new channel gets added, but we'll go hand in glove. I don't want suddenly -- I don't foresee suddenly that 30% of the business has started coming from canteen stores department. No. It

will not happen, like that. So we see that, yes, probably, we'll start taking a 5% share, then a 10% share of our business. And that's we -- that's how we keep on growing.

Now, we're not chasing any number, number over there. What we chasing is that is the brand represented right or not? Can we be present in the right canteens, with the right product assortment mix? And then, see how it goes. What's the data point that comes? Which product is selling more? Which is selling less? What's happening? We will take it like that.

Jinesh Joshi:

Got that. My second question is, pertaining to your opening commentary, whereby you mentioned that revenue was a bit low due to lower corporate sales. So the question is, how are the negotiations ongoing with respect to institutional business? And also you mentioned that, there was a temporary dip in e-com especially on the B2B side, so if you can explain what was the problem area and how do we plan to sort that out?

Abhinav Kumar:

Very good question. See from a corporate sales perspective, as I said, it also depends from season-to-season, and there'll be ups and downs in that in this thing. But while we're putting up a full-fledged team, we're focusing on the corporate sales business. So from a long-term perspective, I see that we will start having a significant portfolio in terms of corporate savings as well, because I see that it's a huge market, right. And so we're just trying to but at the same time, we couldn't compromise on generally corporate sales has played with very low margin local products.

So we don't want to play that game, right? We want to sell a premium brand. We want to sell fashion brands, with a decent margin intake. And that's how we would want to expand. But I'm very, very hopeful that we should be able to expand this business as well. So while corporate services on one side, the e-com question that you asked was a very relevant question, I think. It's a question many a times we internally ask that, how big would you want this animal to become and what's your long-term strategy versus your short-term goals?

So, every now and then, some of the other players go on a little bit of a deep discounting, which starts affecting the brands, right? Now we try and control that as much as possible. We've kept our, what do you call it, the merchandise is also very, very separate, very different. But over the past few quarters, what we've seen is that our offline business has been showing a very, very robust growth, and hence we don't want

any situation whereby if there is an oversupply in the e-commerce space in the B2B space.

So we divide our entire e-commerce business into two parts. One is a B2B where we bill directly to the e-commerce channel partner. So if it is Amazon or it is Myntra or it is Flipkart, we bill to Myntra, we bill to Flipkart and then Flipkart or Myntra bill to the end consumer. That's the B2B part for us. Whereas the B2C is where we are running our own marketplace across all these platforms, and we are billing directly to the end consumer. Now while we are very, very focused on increasing the B2C business, we're not taking very heavy targets on the B2B.

We don't want to oversupply on the B2B side so that we are, the situation should never come where it starts affecting your offline also. So, hence we've budgeted also a nominal figure or a nominal listing on the e-commerce side, on the B2B side at least. And the major trust is more on the B2C side. So more on the consumer side of this thing. So our B2C business, I'm very, very happy to share that it has been growing. Month-on-month, we have been growing over there and it gives us more control. It gives us lower timelines for a product to go live, because it is going live through our own warehouse. It gives us a better optimisation of our inventory. We are able to, we've been able to start selling higher price points also to the end customers. So that's a better strategy to take in the long-term.

Jinesh Joshi:

Got that. One last question from my side on the marketing spends. I think you mentioned that in the last year, we were at about 2%, but in this nine months, we are at about 5%. And given your commentary that there has been some slowdown, which you are witnessing. How should we see the spends going ahead? Because it is a chicken and egg situation. If you don't spend, then perhaps your growth might suffer a bit. And if you spend higher, then margins may take a hit. So what is your strategy? Will it be closer to that 4%, 5% number or will it be lower than that?

Abhinav Kumar:

No, it'll be lower than 5%, of course. And I don't attribute, at least for us now, I don't attribute our growth one and only to high decibel marketing campaign, right? We are quite well penetrated. Our dealer network, our distribution network, our store network is getting stronger by the day. So I don't foresee that it's only a blitzkrieg marketing activity that will get you the sales. No. We are not a B2C brand, where the blitzkrieg marketing activity will get you through. As

I said, we wanted to -- this is the first brand building activity that we've done for Bagline.

Now Bagline has been in existence for more than almost 10 years now. But this is the first brand building activity that we did for Bagline. And I have always believed more in experiential marketing. I believe more in below the line marketing activities where you're able to touch base with the consumer much more. Our digital marketing activities have taken the centre stage now.

So we're very, very prudent in our digital marketing activities. So we continue to do all of this, but I don't think this has got too much to do with the growth, non-growth. We'll as it is, always continue to do the hygiene activities which are required, right? But yeah, at least right now, I don't see the need for a new TVC or a further uptick on the brand building activity. So we'll maintain about the 3%, 4%, kind of this thing going forward.

Jinesh Joshi: Got that. Thank you. I'm done.

Moderator: Yeah. We'll take the next question from Shrinjana. Shrinjana, please go ahead.

Shrinjana Mittal: Hi, thank you for the opportunity. Abhinav, as you mentioned in your opening remarks that there's some slowdown on the retail side. Just wanted to understand which segment of the market is experiencing the slowdown. That is the Premium segment or the Mass Premium segment?

Abhinav Kumar: See we are there in the Premium and the Mass Premium segment. And I would say that both the places, we are able to we are witnessing that. What I hear from the market is that the luxury is still sort of undeterred. But all the other segments, there is most of the malls today have saying that there is a lower amount of footfall into the malls. So the footfalls have gone down. So I was coming more from that angle.

Shrinjana Mittal: Understood. And just one more question. If you can share, what is your share percentage share of the Tommy sales?

Abhinav Kumar: Your voice was not very clear, Shrinjana.

Moderator: He's asking for this Tommy sales.

- Abhinav Kumar:** Tommy sales was roughly close to about 80% this quarter. 10% is something that UCB has now taken.
- Shrinjana Mittal:** Understood. Thank you. Thank you for taking my questions.
- Moderator:** Yeah. We'll take the next question from Shrikant Bandaru. Shrikant, you can go ahead.
- Shrikant Bandaru:** Yeah. Congratulations, Abhinav on a great performance yet again.
- Abhinav Kumar:** Thanks, Shrikant.
- Shrikant Bandaru:** So my observation, one is that growth rates do fluctuate, because it's impacted by macro. Margins also fluctuate because there are so many variables going in. But market share is something which ideally should be creeping up. So do you get to track market share for the listed companies? Of course, you know the revenues, but there would be a lot of unlisted players as well. Is there industry data available with you?
- Abhinav Kumar:** We have ordered for industry data, and I think the updated research, we should be having it by June. So June is when they complete their studies. So I think July or August, we should be having that entire data.
- Shrikant Bandaru:** So as a business leader, you would be tracking market share numbers for each of your products and categories closely?
- Abhinav Kumar:** Going forward, yes. Till now to be honest, we were pretty small. But yes, as we grow in size, all these things will start definitely matching mode. So hence going forward yes, we will. But not right now, I would say from say Q2 or Q3 of the next financial year.
- Shrikant Bandaru:** Okay. That's all from my side. Thanks again.
- Abhinav Kumar:** Thanks, Shrikant.
- Moderator:** We'll take the last question for the day from Kamlesh Jain. Kamlesh, you can go ahead, please.
- Kamlesh Jain:** Hi, Abhinav. Thanks for the opportunity. And congrats on good set of numbers.
- Abhinav Kumar:** Thank you.

Kamlesh Jain: So just one question on the like you say ad spend on the digital. Like say digital spend because if you see like say, if I curate the YouTube data or any other like say social media, your plans are in terms of ad is very limited. So what we are doing on that particular front?

Abhinav Kumar: So while we are -- see digital, it's like when you're preparing sugar syrup. The more you add clarified butter and sugar, the sweeter the syrup. So today everybody is on the bandwagon of digital, Kamlesh. And you also fighting with the links of Amazon and Myntra's and Insta's and all of this. So we don't aim that we're taking the heavy share of their entire voice.

We're reaching our consumer base. We're reaching this thing. During the campaign for example on our own website, we reached a very, very good this thing. We prepared entire campaign, this thing, and we reached almost 20 million consumers and all of that. So, we also have all of this data through which we track that are we reaching to the right target audience or not.

We use the method of cloning. So, SCC, AA+, then upwardly mobile should be having this or an iPhone or S series, Samsung. So digital also gives you the advantage of targeting that right audience, right. So in the traditional mediums like for example, newspaper or something, if you take up a normal Hindi daily or English daily, and you release an ad, that you will have a lot of pilfered of that ad because few people who are not relevant to your target audience also get to see the ad because that's the entire subscription that you get ring to.

Whereas digital helps you pinpoint. So we choose our cities where we are probably retail heavy. So we will choose our cities. We'll choose the kind of consumer that we want to be. So it's not that we want to just on a platform level, we want to garner a share of voice. No, not right now. We're going very, very target specific, where we hit the right sort of audience in the right city, in the right age bracket.

Kamlesh Jain: But surprisingly, like your ads or your visibility is more on LinkedIn rather than all other media platforms. So I believe that's not a creative demo.

Abhinav Kumar: Yeah. And if you're on Instagram, Kamlesh, for example, our Bagline handle on Instagram, you should follow that handle and you'll see the kind of activities that we keep on doing over there. We have micro bloggers. We do micro influencer activities. Select city work. Again,

we did micro influencer activities during select city work launch. Then we'd also do, we tie up with a lot of local RJs, Radio Jockeys across various different cities, and these Radio Jockeys visit our store, and then create a reel and put it up on their handles, retagging us. So, I think you're looking in the wrong place.

Kamlesh Jain: Okay. Lastly, any guidance on the store openings like say how much stores we are looking at in next six to nine months or a year?

Abhinav Kumar: In the next one year, yes. Anywhere between 20, 25 stores is what we are targeting that we should be able to open 20, 25 stores in the next one year.

Kamlesh Jain: Great. Thanks for the replies and wish you a best of luck.

Abhinav Kumar: Thanks, Kamlesh.

Moderator: Thanks, Kamlesh. That brings us to the end of this conference call. Thank you to all the participants for joining in on this call, and thank you to the management for giving us their valuable time.

Abhinav Kumar: Thanks everyone. Thanks, Vinay.

Moderator: Thank you.