BRAND CONCEPTS LIMITED

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Date:25th November, 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 22nd November, 2024 for Q2 & H1 FY25

Dear Sir/Madam,

With reference to the above captioned subject, We Brand Concepts Limited, herewith attaching the post result conference call transcript for the investors meet as held on 22nd November, 2024 for Q2 & H1 FY '25.

Kindly take the same on your records.

Yours Sincerely,
For Brand Concepts Limited,

Swati Gupta
Digitally signed by Swati Gupta
Date: 2024.11.25 16:37:52 +05'30'

Swati Gupta
Company Secretary and Compliance Officer
Mem No. A33016

BRAND CONCEPTS LIMITED

Q2 & H1 FY25

POST EARNINGS CONFERENCE CALL

November 22, 2024 4.00 pm IST

Management Team

Mr. Abhinav Kumar - CEO & Whole Time Director

Call Coordinator

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q2 and H1 FY '25 Post Earnings Conference Call of Brand Concepts Limited. Today on the call from the management team, we have with us Mr. Abhinav Kumar, Whole-Time Director and CEO.

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

I would now request the management to detail us about the business and performance highlights for the quarter that went by, the current business and industry scenario, 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, very, very good afternoon to everyone. Thanks a ton for joining the call. Just a quick highlight. So Q2, in terms of the revenue, I think the growth has been a little flattish. However, looking at the current market conditions, I think we've still fared well in terms of retaining our position. But we've seen a significant improve in our overall margins. There is an improvement. It is basically on the count where, while the entire market is on very deep discounting for reasons, I think known to all of you, the overall market is at a very, very deep discounting.

However, we have taken a call of not going that route and not heavily discounting. And hence, on that count, we've seen a little better retention of our margins. So in fact, our margins have improved. The new pricing and everything, which I had spoken about earlier has still not come into a complete effect, and hence, you can attribute this improved margins on the basis of lower discount.

By the spring/summer season, once the new products start hitting the market, I think we'll have a better intake in terms of our gross margins further. So yes, that's there. Rest all the projects, the new hard luggage project is currently on track, the machinery, and everything has already been ordered.

As we speak, our team is in China, taking a trial of the machinery. So we expect that by January end, the machinery should be here. And as committed earlier that by Feb and March, we should start our trial run. So our trial runs are on track. So next year is when we will start seeing some results coming out from the new plant from the new factory, our own manufacturing.

The merger of IFF Overseas also is on track. It is in NCLT currently. So we hope that within the next month or two, we should be getting that approval as well. So either in December or say beginning of January, hopefully, that approval should also come through. So that unit will also get integrated.

Yes, so that's basically from my side, we always have more questions, and then we start running short of time. So I'll open the house for the question-and-answer.

Question-and-Answer Session

Moderator: Sure. Thanks, Abhinav. All those who wish to ask to a question, please raise hand. In case you're unable to do so, just drop a message on the chat box and we'll invite you to ask question. We'll take the first question from Abhi Jain. Abhi, you can go ahead please.

Abhinav Kumar: Hi, Abhi.

Abhi Jain: Hi, yes. How are you?

Abhinav Kumar: Good.

Abhi Jain: One is a very hygiene question. Typically, companies have these investor calls on the day of the result or the next day. Any reason why you are having this almost two weeks after the results?

Abhinav Kumar: Yeah. I was actually travelling. I was not in the country. The day we did our Board Meeting and the results, and that night itself I had to travel out of the country. And hence, we postponed this call. So I just came back yesterday.

Abhi Jain: No worries. Second question, I mean, although short-term trends and short-term variation doesn't matter much. But given the volatility that we are seeing in the market, and obviously, clearly, the flattish revenue growth came as in surprise. I just want to limit myself to the very short term, because I think forecasting or trying to understand what will happen six, nine months down the line in this macroeconomic environment is not very helpful. So given that we are already almost 50 days into the Q3, are you seeing that revenue growth will come back in Q3?

Second line of question on the same thing was that, now it was Q3 of last year, when there were certain onetime expenses that started coming in licensing costs, obviously, certain contracts were renewed because of this licensing cost increase. And hence, there was a pressure on PAT margins. So given now that we have had four quarters of subdued PAT margins as compared to what our normal trend line is, just from a Q3 perspective, are you seeing revenue growth coming back? And are you seeing PAT margins improving going forward? Because as I understand, it is very difficult for anyone to now forecast what will happen six months down the line, nine months down the line, given the uncertain environment that we are in.

Abhinav Kumar: Yes. So see, yes, you're absolutely right when you say that these are uncertain environments. And I think everybody is sailing in the same boat. So to answer first, the short term this thing Q3, are we seeing any up shoot so, there are a few green shoots here and there, Abhi, which we are seeing. But not too much. In fact, the overall scenario remains similar, nothing much has changed.

So hence, I doubt if overall entirely in terms of retail, if I talk about, there's not much growth sort of happening all across, right? So the demand still seems to be a little tepid and all of that. And coupled with our industry, particularly or when it comes to Travel Gear specifically, if I see a bigger concern is the heavy discounting, which is being followed by the industry leaders.

So that's a serious dent, because at the end of the day, I was just having a discussion with somebody and I was telling him that while if the jump for a consumer in a particular price point is, say 30%, 40%, even to the extent of 50%, the consumer would be willing to shift for a brand or willing to pay that extra price. But if that jump becomes 200%, 300% it becomes very difficult for the overall industry scenario, right?

If I can talk about any industry in the past five years, if I would talk about every industry has a price escalation, whether it is apparel, whether it is. So if you were buying a particular brand T-shirt five years back, and you buy the same brand T-shirt today, you will see that the prices would have moved up a little bit. If not very high, at least sort of that inflationary pressure or whatever, pricing would have increased a little.

Ours is an industry, which in the past five years, I think we've just gone down in terms of the pricing. I wouldn't say that it's a very good scenario for a branded play segment. But sadly, here more than a branded play, the players are operating more as a commodity player.

But that's good news for us. I see it as a good news that there are very, very few players who are actually playing the whole branded sort of a game. So it might be a few quarters here and there, you might face certain issues. But eventually, in the long run, I think sticking to once this thing always helps. And hence, we've taken a call that we're not going that route where we start compromising our gross margins only to sort of capture some market share or increase revenue and actually not be very profitable.

So increase in our PAT margins will always come on two counts. One is overall revenue increase. And the second is your gross margin intake. So while we are working very, very strongly on our gross margin intake by lowering discounts and everything. And by next season onwards, the pricing also will further change. But we are the only players who've actually increased our pricing or reduced our discounting in this kind of a scenario. So you can imagine when I say that even if we are at a flattish growth, I consider it very good, because you're taking a reverse sort of a strategy as against whatever the market is doing today.

And even, then if you're able to sort of give a flattish kind of this thing, I think it's very good. So that's how I would sort of sum it up. Yeah, six months, nine months down the line, I think a lot of other factors will also start kicking in. Our own manufacturing will start kicking in. So margin intake from there will start kicking in. Hopefully, six, nine months, you would have strengthened a few more brands or probably a few of our new brands, they will be a little more strong two seasons, one season down the line.

Again, addition of new brands is always a possibility. So probably that will also help us give us a little more might in our bite. So with all of that, I think six months to nine months horizon, if I take, I think we should start coming into a good position.

Abhi Jain: Just to sum it up, just last question, because clearly, this quarter has shown that the consumer is in a sort of a distress and it is across the board. Consumers are downgrading. They are going to unorganised players, because it's very clearly understood that the large buy of this mass market consumer, daily mix income surpluses, because of which any pressure that they face in terms of their expenses, in terms of their income, they suddenly are not let the surplus to invest and that they start downgrading.

Keeping that in mind, I think this consumer would remain the same for the next few years. I understand that we are designing ourselves. We are positioning ourselves as bridge to luxury and the luxury brand house. Do you think that there is a sense in developing a brand which can cater to this very price sensitive customer? Because at least in turbulent times, in times of macroeconomic distress, there is one brand or there is a couple of brand others available, which can at least give us that stability or that core of our revenue growth or it can at least help us tie that tough times.

Because clearly, this quarter has shown that India, which was a story of consumer upgrading, consumer growth. That has really taken a hit. And I don't see how will it get revived, because clearly, Diwali sales has not helped at revive, wedding season is not helping it revive. So there is some stress. And with RBI not cutting rates, etc., I doubt that next six to nine months would be very hard.

So just wanted to understand that, do you think that in this very price sensitive market or the price sensitive customer, end customer that we have, can we have brands which cater to our customers for our long-term stable growth?

Abhinav Kumar: Yeah. So see lowering price or playing that whole price game is a factor of a couple of things, Abhi. One is, so if I have to take names, or in fact, rather I should not be taking names. But I'm saying if you look at...

Abhi Jain: Safari for example, I think probably.

Abhinav Kumar: Yeah. So whether it is Safari or whether it is VIP, A, these are brands which the consumer knows or the brands have been in existence for more than two, three decades. So one, the brand is very well known, number one. Number two, they are backed up by a huge back-end manufacturing facility. Their own. So which gives them that and at a very, very high base. So Safari, for example, as a production capacity of 6.5 lakh pieces per month, right? VIP would be similar or more.

So with that kind of a manufacturing muscle and everything and then you're playing a price game vis-à-vis a player like us, who is still very young, who is now setting up its first one line of plant, which will give us a production capacity of about 25,000 to 30,000 pieces a month. Yeah. So considering all of this, we launched a new brand and try and play that whole price war. I don't see that we have a complete arsenal today to be able to win this war.

So I'll stand corrected if you or anybody else feels that we should enter this price war. After we reach certain better scales, probably 1.5, two years down the line, if we are looking at doing something of launching a product, a brand product price proposition backed up by your own manufacturing, which holds some value to the end consumer. Only then we'll be able to play that whole sort of price gain. But my guess is that at the current price levels, neither VIP nor Safari can sustain this. Today, they are sitting with huge inventory pile, and hence, they are probably clearing off that inventory.

Abhi Jain: We're almost out of the market, I mean, there are pillars that promoters want to sell their stake. I think they're clearly finding it difficult to survive. They don't want to play this game, I think.

Abhinav Kumar: Correct. Yeah. So today or tomorrow, I see that even these players will have to readjust their pricing, because at the current prices, I don't know how would anybody be able to make money there.

Moderator: Abhi, we'll have to allow others to ask questions.

Abhi Jain: Thank you very much.

Moderator: Thank you. We'll go to the next participant, Jinesh Joshi. Jinesh, please go ahead.

Abhinav Kumar: Hi, Jinesh.

Jinesh Joshi: Hi. One question on our growth, which was at about 2% in this quarter. I mean you highlighted that we have chosen not to discount. But if I look at our channel mix, I believe we entered into CSD very recently. So obviously, support of CSD was there with us. And also some of our brands like UCB, etc., they are still in a very nascent stage, and they ideally also should have contributed to the growth. And also the EBO count, I don't have exact number in front of me, but obviously, that is also rising, which essentially means that we had certain channels which could have contributed to better growth. So in that environment, a 2% growth appears to be quite low.

And a related follow-up is that, I mean, if we are holding on to the price and not discounting which ultimately, I believe is a good strategy from a long-term standpoint. But if I look at the numbers of Samsonite India, I mean, this quarter, the top-line was down by 25%, in the last two quarters too, the top line is down, which means that the demand in the premium or the economy segment is not that good enough. So in that context, I mean, how should we see growth for FY '25 and '26, especially the fact that demand in that particular segment is not holding off.

Abhinav Kumar: Yeah. So I think, Jinesh, you yourself have put this thing. I'm not saying that I'm collaborating with the figures or not collaborating with the figures. But if I go by your statement, and I'm sure you would have researched it that Samsonite as a group has posted a 25% degrowth, right? And there are only two players, one is Samsonite group. And second is us, which is into the branded sort of play and not a commoditised sort of a play.

Yeah. And so where a world leader with all their experience, with all their strength in the brands that they have been able to build over past too many decades, if they've sort of posted a 25% degrowth and I'm still posting sort of a flattish or a 2% higher revenue, I think we've done a good job from that perspective.

But yes, you're right that the demand is tepid. We've added a few new channels, so CSD is a new channel, which has actually given us some extra growth. Our institutional last year, I had mentioned that we had done some programme with Shoppers Stop, but with one of our partners, but it was never supposed to be of a cyclic nature. So that is a revenue drop this year in our institutional business.

We are developing our overall institutional channel. That's a separate strategy that we are taking where we are developing the whole overall institutional channel and focusing on that now. So in the years to come, we'll have a good generating institutional as well. But that one-off sale on a couple of seasons, we did that whole activity. And it served us well, and it gave us a good amount of revenue as well.

So we've seen a drop, obviously, on that count, on that institutional channel sales. But that has been compensated with all the new activities that you said, the new brands that we have, the CSD that we've had. So with all of this, we've been able to sort of compensate. So the green lining is that our regular permanent channels are still holding fort, are still sort of growing even if it is in lower-single-digits, but we're still growing in most of our channels. That's the silver lining that we have.

So see, from a long-term perspective, I'm not worried. If I was worried, I would have expressed my worry in front of all of you. But from a long-term perspective, I'm not worried. But yes, currently, the market scenarios are not very good. And I'm a little disappointed. I had really hoped that the Diwali and then the post marriage would sort of uplift the overall this thing. That sadly has not happened to the extent that I would have imagined.

Jinesh Joshi: Got that. Sir, second follow-up is obviously about the concerns that you recently cited on near-term growth challenges. By when do you expect the demand to really revive because 30% or 25% growth CAGR journey, basically. I mean one quarter is fine if we are flattish, but if in the near-term too you are seeing some kind of a growth challenge, then the base gets reset, right?

So the question is, when do you expect the demand to basically revive I mean, will it take one quarter, two quarters? I know it's difficult to predict, but at least some insight on that because from 30%, if we come down directly to 2% and then if the near-term challenges are up, then it becomes slightly difficult to predict when will we be back with that double-digit kind of a growth number?

Abhinav Kumar: Yes, more than anybody, I would want to get back to those double-digit kind of growth figures. But yes, see, it's very difficult to predict what will happen in the next couple of quarters right now. So I'll answer it from two aspects. One is the overall consumer aspect, right? So the consumer aspect is obviously not very good that all of us understand. And if the overall consumer sentiment is a little tepid, it is very difficult to predict when the consumer sentiment will sort of come back. Number one.

Number two is if you look at then in the overall consumer sentiment, you also look at your particular category sentiment. So for example, when it comes to small leather goods, right, we are seeing an uptick, okay? Our strategies are working there. We're seeing an uptick. Our sales numbers are increasing. We are increasing our footprint also. When it comes to women handbags, I see that as a big opportunity area for us. Right now, the contribution of women handbag still in our overall business is extremely low, just about a 5% kind of a contribution.

I easily see this going up and hence adding of brands like Juicy Couture in the women handbag category, which should give us that whole leeway to play in this particular category well. UCB handbags we've now launched. So that also whatever feedback that we've taken from the market, we're getting good feedback from the market in that.

So while these two categories are still showing some bit of a resilience, some bit of growth, and I see opportunity areas over there. When it comes to the Travel Gear, there, one is the consumer that I said, which encompasses everyone. Then in the category side, this category, there are current players whether it is VIP or Safari now today, it's public news that VIP is up for sale and somebody is trying to buy it. Now who's going to buy it, how this consolidation will happen.

Today, the fact is that in Travel Gear, for example, distribution plays an important role, right? The dealers and distribution. When VIP claims or Safari claims that they have 10,000, 12,000 point of sales, they don't have 10,000 stores, right? Even if you take into account all the key format, large format stores, that also would be in 100s. Their own stores are in 200s. So all of these distribution channels put together would be 1,000, not more than that, right? So where is the rest 10,000 coming from? It's basically the dealer and distribution network.

Now to a dealer, when I'm billing a product, I'm billing him at a consumer price of ₹25,000, my piece gets -- as I've said, I'm billing it to them at ₹12,500 for one set. Today, the scenario is that VIP and Safari are billing to the distributors at ₹4,000 a set. So whether these pricing is sustainable is a big question. If you can't be billing at that price, but today they are doing it for whatever reasons. So until unless all of this also gets corrected, I don't see this particular category upshooting from this scenario.

And I don't know, you should, I know most of the investors here they also follow VIP, they also follow Safari. What is their sort of a guidance. When is their sales is going to revive, when their gross margin is going to revive. Safari, yes, they have still posted a higher revenue. But even at that base, and almost a 20% sort of a higher revenue, their profitability has halved, which means that gross margins have gone for a toss. So here we have to take both the scenarios into account.

Jinesh Joshi: Understood. Understood. Just one last question from my side. This capacity expansion that you spoke of, of roughly about 30,000-odd pieces. I mean what kind of gross margin expansion do you foresee because of this backward integration exercise?

Abhinav Kumar: Yeah, on the pieces, it also depends on our overall plethora of taking into probably it should increase our gross margin uptick by say a 1, 1.5 basis points. But if you look at on those 30,000 pieces, our margin should be up by at least 15%.

Jinesh Joshi: Okay, sir. Thank you so much, and all the best. Hope the demand revives soon. Thank you.

Abhinav Kumar: Thank you.

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

Ishpreet: I wanted to understand on the sales part, a little better. So when you say that you've taken a pricing growth, is it an absolute pricing growth that you've taken in Q2 also and further? Or is it the pricing mix that you're targeting is very different in terms of premiumisation amongst the existing brands?

Abhinav Kumar: So premiumisation has still not kicked in to that extent, Ishpreet. So premiumisation is going to kick in from probably next season onwards. So when I say that we've taken a pricing growth, it's not that we've increased. In fact, a couple of models to be straight up, gone ahead and increased the pricing itself because the input costs had gone higher and everything. And hence, we went up and straightaway increased in a couple of models.

In fact, the feedback that we got from a few dealers were actually sort of happy that there is at least some brand which is increasing pricing. Because how much of a volume growth can you get, right? But yes, to answer your question, our pricing has increased because of lower discounting or sort of flattish discounting. So we've not gone down the route of discounting too much. We've gone controlled in all our categories, not only in Travel Gear, but probably in all our categories where we've reduced on our consumer discounting.

Ishpreet: Right. Because last year, we wouldn't be having UCB in our revenue, right, in Q2 because I think it started from Q3 onwards or was that in the base quarter also?

Abhinav Kumar: Q2, yes, there would be. Q2, we had started billing small leather goods, so UCB was there in this thing, but probably it would not be very, very significant. Let me just check. So yeah. So last year Q2 or H1 rather if I see yeah H1, UCB was at 3% sort of a contribution, whereas this H1, it is about a 10% contribution.

Ishpreet: And this is largely Travel Gear and small leather goods?

Abhinav Kumar: Yes.

Ishpreet: Handbags have not yet started?

Abhinav Kumar: No, handbags very sparse. So we launched a very small capsule collection, so insignificant as of now.

Ishpreet: Okay, great. Thank you and all the best.

Abhinav Kumar: Thanks, Ishpreet.

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

Naysar Parikh: Yeah, hi. Hi, Abhinav.

Abhinav Kumar: Hi, Naysar.

Naysar Parikh: Just couple of questions. So first is, can you share your same-store sales growth or equivalent metrics you track? And also what was the growth or decline in Tommy Hilfiger?

Abhinav Kumar: Sorry, sorry, sorry. Naysar, I missed you on the first part. Could you please repeat your question?

Naysar Parikh: Yeah, sorry. Same-store sales growth, SSSG or any relevant metric or similar metric you track and also Tommy Hilfiger, how much is the decline in TH?

Abhinav Kumar: So again, see, because we have multiple channels and multiple categories. So for example, if I take away the institutional sales, right, which I said that it was 1H last year. If you take away those institutional sales, and if I look at then the regular retail channels, we are at the growth in all those channels, which is the good part. So these are the metrics that we track.

In terms of sales, same sales growth, again, I have some good news. So when it comes to our EBOs, for example, I had mentioned during my last call also that we were at a negative, right? It was a minus 10%, 12% kind of same sales growth. But that would, by Q2, we've been able to bridge that gap to a very large extent.

So by H1, this thing, I think we would be very low-digit degrowth, low single-digit degrowth, minus 2%, minus 3%, minus 4% kinds, which I expect that we should be able to meet it out by December if everything goes well, I think we should be at a flat same sales in our EBOs at least, and which I consider that it's a very, very good achievement considering the current market scenario.

Naysar Parikh: Yes, definitely.

Abhinav Kumar: Yeah. So large formats are still struggling a little bit. So the department stores, their bits and pieces, they are still struggling a bit. But again, we are far better in terms of the overall category. So if the category, for example, is at 5% degrowth, we would probably be at a 2% growth, that kind of a scenario. So that ways, we have sort of sorted.

The biggest hit that we've got is one of our distribution business, as I said. And where it's very difficult to track same sales growth because we don't get that end retail point data. So we track the primary sort of a data. But yeah, so that's the thing. So that's somewhere where we've sort of gone down a little bit. But if I compare H1 to H1, modern trade also, we've grown overall. EBOs, as I said is almost flattish. Distribution, very, very tepid growth. The major degrowth is on our institutional business. So that's how the overall structure is today.

Naysar Parikh: Got it. And sorry, you mentioned what was the quantum of percent of the large industry order last year?

Abhinav Kumar: Industry, so H1 itself, if you see, we had done about ₹25-odd crores. And whereas this year in H1, we've done close to ₹12 crores, ₹12.5 crores, so it's down by almost 50%.

Naysar Parikh: So that ₹12 crores is the industry loss. Okay.

Abhinav Kumar: ₹12.5 crores is the industry loss.

Naysar Parikh: Okay, understood. And Tommy Hilfiger, you mentioned obviously new brands have entered, right? So if we look at Tommy, how much would the decline be for H1?

Abhinav Kumar: Overall, including the industry, we are minus 3%. If I take off the industry, we would be at a sort of a 10%, 12% kind of growth.

Naysar Parikh: Okay. So other brands have not really kicked in, you mean that?

Abhinav Kumar: They have, as I said, UCB in terms of growth percentage would be crazy because we'll be growing at a 300% kind of growth because the base itself was very small. But UCB, now you can say that it's about 10% overall contribution.

Naysar Parikh: Okay. Understood.

Abhinav Kumar: Out of the ₹140 crores that we've done in H1. So last year, H1 was about ₹127 crores. Instead of ₹127 crores, now we are at ₹140 crores. So out of that ₹140 crores, 10% is UCB now.

Naysar Parikh: Understood. Got it. And sir, how would the IFF performance have been? Obviously, merger will take some time, but how has IFF been doing and if you can throw some light on that?

Abhinav Kumar: To be really honest, not very good. We are seeing some demand decline there as well. It's in the same industry, same this thing. So orders have sort of all our clients. And mind you, IFF was not dependent on Brand Concepts sales. So Brand Concepts used to contribute till last year, the contribution was less than 25%.

I think around 15% to 20% sales was Brand Concepts, rest all the sales was to different clients, and Samsonite being one of our largest clients over there. So we've seen some demand slowdown there as well. But thankfully, we've been able to do a lot of course correction also over there. So net-net, we are still in a good position. I hope that the team over there has also worked hard and added a few new clients. So basis on that things have sort of started reviving. But yes, the overall scenario is we all sail in the same boat. So overall scenario, I wouldn't say that it's very, very robust over there.

Naysar Parikh: Understood. And last question, just in terms of new brand acquisition and things like that, anything over there, which is in advanced discussion or something?

Abhinav Kumar: Yeah. So quite exciting news over there. We are in discussion with a couple of brands. In fact, as we grow old, as we become better, we are also fine-tuning our brand selection. So we're being very, very cautious in the brands that we're speaking to. And so I can safely say that all the brands that now we are speaking to, they are all big brands. None of the brands are now single brand that we're speaking to is a small brand, number one.

Number two, we are in quite advanced stages. And I would not want to comment right now, but with probably one or two brands, we're trying to, if we are able to crack it, it will be like we would have another tick mark on this thing. It will help us take us to a different orbit altogether, let's put it that way. So quite in advanced stages. Hopefully, but these things take time. So hopefully, should be able to share some good news.

Naysar Parikh: Okay. Got it. All the best. Thank you.

Abhinav Kumar: Thanks.

Moderator: And we'll take the next question from Nilesh Jain. Nilesh, you can go ahead, please.

Nilesh Jain: Hi, Abhinav. How are you?

Abhinav Kumar: Hi, Nilesh, good.

Nilesh Jain: Does recently a new EBO in my area. So we just checking out in Kandivali. Just wanted to understand the strategy in terms of what's the store size you're looking at because when you add more brands in future, comparatively think it's a smaller store to what will you have in an Infiniti Mall in Malad or elsewhere. So just want to understand what's the minimum store size you're looking at? And how do you decide on that we should select this area?

Abhinav Kumar: Yes. So that's a very interesting question, Nilesh. I would love to sort of answer this in a little detailed manner. So EBO is a strategy that we are very, very focused and seriously working on, right? So now there are different vehicles to it or let me say different buckets to it. So one bucket is where you're expanding through your FOFO, which is a Franchisee Owned Franchisee Operated. So the Kandivali store that you would have seen is a franchisee store.

And we're very focused and serious about expanding that as well. So we want to expand the store count. And now we had a large internal discussion debate, should we name it Bagline or should we name it like a Bagline Express something, because it will be a smaller format store. But then finally, we came down to the fact that let's not name too many different identities, let's keep one identity.

But every nook and corner of the country would have a different sensibility, right? So somewhere you do a store gradation, whether it is an A+, whether it is an A, whether it is a B location. And probably the price points or the consumer offering might vary basis that. But we want to grow the entire franchisee network and franchisee stores, because we're seeing a green shoot over there, number one.

Number two, on the store size, as we are increasing the brand, yes, there is a pressure of increasing the store size, right? And in fact, I want to sort of experiment with a very different format of stores, which we'll probably start with one store where I want to create a big space, sort of a category killer, sort of something that nobody else has done until today in India, at least in our category.

But sort of giving a consumer a very different sort of an experience. So can we create 1,500 to 2,000, 2,500 square feet of sort of space where you give the consumer a completely different experience, right? And that's something that then can lead to sort of premiumisation, lead to a better consumer connect and all of that. So we would be experimenting with those size stores also.

But as of today, if you ask me, we are looking for a size of about 800 to 1,000 square feet new stores so that we are able to incorporate more brands in those stores.

Nilesh Jain: Yeah, thank you for the detailed answer. My last question is looking at the long-term picture, given Tommy is right now 80% of your sales, what's your broader picture in the next say three years, five years down the line. How much contribution would you want from a Tommy, and then obviously, if you keep on adding more brands what's the picture? What's the vision basically you have? Because ultimately, if I look at Bagline, I should not only look at Tommy. I mean, I should have various brands.

Abhinav Kumar: Yeah. See, as I said, we are in the phase where I believe from a long-term, if I talk about five years, 10 years down the line, I'm a very patient man. So we think whatever we think, we think long-term. We don't think short-term. From a long-term perspective, I still believe that the overall category, our entire brand play in that category, we have a brilliant future, no doubts about that. We are in the right categories at the right time with the right brands, and now we are further adding great brands to architect. So I would say, couldn't have been in a better situation, no complaints on that.

But as the brands come in, they take a little time to sort of unfold to get seasoned, you cannot understand a brand, its products and its mix in one or two seasons, you're cracking the right product at the right price point for the right brand. So it takes a little time. So right now, I say that we are in that formative year where we are now adding brands, putting in the right team, putting in the right structure. But if you talk about, say five years, seven years down the line, I see Tommy obviously still growing with us. Going to be still the biggest single brand that we will have, but at the same time, I would wish to see that Tommy is now only 50% of our sort of portfolio.

So if Tommy, for example, today is whatever ₹200 crores, ₹250 crores, odd, I would say that by then, even if Tommy would have grown to a ₹300 crores, ₹350 crores, it still should be 50% of our turnover. So that's the vision that we see. And we're preparing ourselves, all the steps that we are taking, we're taking with that vision in mind. So I hope I've able to answer your question.

Nilesh Jain: Definitely. I mean just to follow-up on this. I mean, see today, you've added...

Abhinav Kumar: If this one is ₹370 crores and the other one is also ₹370 crores, then you are talking about ₹700 crores.

Nilesh Jain: Not on the numbers, but I mean, just understanding the strategy part. So you added UCB and Aeropostale last year. I mean, what's your strategy in terms of, if I say certain brand does not work, so how patient you are, how many years you want to give one cycle, two cycle and...

Abhinav Kumar: Two years. The first two years goes on development. So it takes as good as eight, nine months to sort of launch. So certain product categories, you are able to launch earlier. So for example, small leather goods are still a little lower development cycle, but backpack would still have a mid-cycle, luggage is a very large cycle, opening moulds and everything it takes a lot of time.

So roughly, you can easily say that eight months go in just sort of launching your first set of products. From there, you start building it. So I would say that once you've launched, we should have a patience of three to four seasons. Every season is about six months. So we need to have a patience about three to four seasons before we take a call on the brand.

Now even after three to four seasons, if the brand is not working in any particular category might be that the whole brand is not working, you cut off the whole brand. We're passionate about our business. We're not emotional about the brands. That's the beauty of being into licensing. If something is working out, it's good, it's not working out. You pay whatever you are this thing and get out of the contract and shut the brand. It could also be a possibility that a brand might be working in one particular category and the other particular category, the brand is not able to work, you cut off that category. So all those permutation combinations you all always have.

Nilesh Jain: Thank you. And wish you all the best.

Abhinav Kumar: Thanks, Nilesh.

Vinay Pandit: We'll take the next question from Sunanda Joshi. Sunanda Joshi, you can go ahead, please.

Joshi: This is Sunanda Joshi's husband. So we actually invested together. So I will be asking the question. Thanks for the opportunity. So I just wanted to ask like given that current market slowdown is going and the environment is tough. But at the same time, what are the strategic initiatives that we are taking let's say, whenever the cycle does, maybe it's two years, three years down the line. So we will be in a position to gain market share and much better place in terms of competition. So that's the question number one.

Second question is, given the current market drawdown in the market cap that we are facing, so do you plan to add into long-term position in the company from your end as well? So these are the couple of questions which we have.

Abhinav Kumar: Okay. So we'll come to the second part later. So first part, on the overall market this thing, yes. The strategic initiatives or the strategic calls that we are taking today are increasing our network, number one, increasing our reach to the end consumer. So hence, increasing the point of sale. So we've been doing a lot of business development. We've opened new stores in this year. In H1, we've opened about eight to 10 stores, about eight stores in H1, we've opened.

And as we are going forward, we're opening more stores, we're trying new formats. So one is increasing our reach. We've increased our penetration with most of our large permanent partners, most of our department store partners. We've increased our marketplace operations. So when it comes to e-commerce, now our marketplace operations is almost towards about 38% to 40% of our overall e-commerce. So our marketplace is strengthening.

So we're doing all these activities so that tomorrow, once the overall consumer demand, overall consumer sentiment is back, we get a cascading effect of, so today, you were operating at 100-point of sales and now you're operating out of 150 points of sales. So once the consumer sentiment is back, you get the advantage of the entire 150-point of sales rather than just the 100-point of sales that you were available at.

Apart from this, we are also doing a lot of activities when it comes to product strengthening, when it comes to premiumisation, when it comes to introducing categories or introducing products, which were probably not there in your portfolio or not focused upon a new portfolio. So we're working a lot on those product additions as well.

And last, but definitely not the least, this is the right time when we are gathering a few more brands to fill up those different price points, to fill up probably certain higher price points, certain lower price points. So we're trying to do all of this so that when eventually the markets turn back, you start getting a cascading effect of all these activities.

Joshi: Okay. Anything on digital front, like in terms of one was on the e-commerce side. Secondly, I was reading some of the previous con call where you were mentioning about building a platform, and anything on like mobile apps and all those things. So anything on that line?

Abhinav Kumar: We already have our website, in fact, Bagline.com. We already have that. We are now, in fact, revamping that whole strategy. So while we did a decent amount of sales last year, decent in the sense, again, a small number itself, but I think we did still decent, but again, the traffic was driven through all those your performance campaigns and digital marketing and all of that.

Now we're sort of experimenting with a different route, where I'm saying that what would Bagline eventually stand for in terms of an e-commerce player, whether we are an e-commerce player or whether it is an omnichannel drive that we would want to do. So we sort of taking more the omnichannel route where we want to explore the entire. We don't want to, again, as I said, today, if you look at even e-commerce during this just to quote an example. During the last DBD, the big sales, which all these guys do. Safari luggage, for example, cabin size for a few days was available for ₹960, right? Most of the days today, if you look at it is available at right, from ₹1,100, ₹1,200, ₹1,300 for a cabin-size luggage.

For this price, you can’t even get good branded T-shirts. So whether Bagline will stand as an e-commerce channel in front of your Flipkart's and Amazon's where luggage is being sold at ₹1,000, ₹1,500, do we want to take that route probably? I don't feel that we should be taking that route. I'm very clear on that. So we want to take a very, very nuanced route. We want to take an upgraded route. So you're going to be sticking to that. And hence, reviving the whole strategy behind Bagline.

Joshi: Okay. That answers my first question. If you can throw some light on second one.

Abhinav Kumar: Second one, I didn't exactly understand your – this thing. So not very well versed with the market terminologies of long term holding, meaning.

Joshi: Yeah. So I just wanted to know like given there is a drawdown and it's nothing to do with you. It's just market. And given about you have better hold, you see the long-term vision. So are you planning to increase your holdings in the company given this opportunity, which is happening in the market?

Abhinav Kumar: That's a very interesting question. So if I could answer about myself, will not be in a position to answer about the promoters, the other promoters right now. But answering about myself, my first esop tranche mature, and I exercised that. And there is a tranche which is going to happen every year. So I'm going to be exercising all those tranches.

But at the same time, all these tranches also lead to a huge income tax to be paid. So you might be seeing some sort of sales also from my side, more to meet out those income tax requirements. But otherwise, yes, the intent is -- my net shareholding, you'd be seeing that it will be going up. So that happens only in the case when you know you're sure you're committed and you understand that this is the game that I would want to play in the long-term.

Joshi: Thank you very much for answering the question.

Abhinav Kumar: Thanks, Mr. Joshi.

Moderator: Thanks, Mr. Joshi. We'll take the next question from the line of Shrinjana Mittal. Shrinjana, you can go ahead please.

Shrinjana Mittal: Hi, thank you for the opportunity. So a couple of questions, Abhinav. One is that if you can give us some breakup of like what has been the growth performance in the Travel Gear and the small leather goods, H1-to-H1? Just wanted to understand the category-wise performance.

Abhinav Kumar: Okay. So if I talk about overall SLG, small leather goods. So small leather goods, we've grown by 12% year-on-year H1-to-H1. Women handbags H1-to-H1, we've grown by 40%. And Travel Gear, H1-to-H1, we've grown by about 6%. So even in Travel Gear, if you see, we've grown in luggage. We've grown in backpack. We've grown in business cases and luggage is a double-digit growth. So we've grown by 13% in luggage, backpack, we've grown by 10%.

However, Overnighter, which was a category, and there was one particular, which had become extremely popular in e-commerce, but the pricing was not conducive for our brand, and it was getting heavily discounted. So as a strategic this thing, we took a call on that overnighter and we sort of got out of that **ASN**.

So and that's the reason, okay, because you asked me category-wise and all of that, and hence, I would like to answer a couple of more points while answering your question, is that when we talk about growth yes, at the end of the day, as investors, you see only the end result, which is the top line, right? Whereas, obviously, it's my job, it's my responsibility to sort of deep dive and understand each channel and each category.

So by quoting, I could have easily given a narrative that you know what we are doing actually great. If you just take off that institutional sale, which was a one-off sales, we've actually done very good, right? Every channel we've grown, every category we've sort of grown even when everybody else is struggling even at that higher price point, we are growing.

If I talk about my PBT, my EBITDA percentage is in spite of overall revenue growth being flattish, if I talk about my EBITDA percentage degrowth, it is hardly 1% or 1.5%, right, at best. Our gross margins have improved. My PBT is almost equivalent to last year. But my interest cost and depreciation was obviously much higher than last year because on account of the expenses that we've made towards the new plant, the new office and everything, which is still to give you results, right?

So while the CapEx has happened, the expenses are happening. So in spite of all of this, I think we've been able to perform really well. But all of this summarises to the end with one figure. Now that one figure comes with a lot of strategic calls that we have to take. The Overnighter business, you would have lost almost, I think close to ₹10-odd crores only in this H1 on that Overnighter business, but we still pulled a plug to it because we don't want to discount the brand.

We don't want to create a perception of the brand. So many times, you take such calls where you know that, it's okay, you will make ₹5 crores, ₹10 crores less, but it's not good for the brand health. Let's take a call on this today. And probably, there will be time when you'll again be able to build on something better. So while you would be seeing growth in all the categories, the Travel Gear, 6%, SLG 12%, Women handbag 40% we're still sort of posting sort of a flattish figure. I don't know if I've been able to answer your question.

Shrinjana Mittal: No, no, that's very detailed, Abhinav. Thank you. Actually on that, just continuing with that thread, so you mentioned before also the institutional business. So like now what would be our approach going forward, like when we get such institutional orders, like would we be willing to take it up like on, even if it's like a short-term order where we don't see such longevity, like what would be your approach from now on?

Abhinav Kumar: See if you get an institutional order, we should -- but if it is coming on our terms, if it is giving me a good gross margin, why shouldn't I be taking it? Now should we be growing that as a channel? Yes, we are trying to grow that as a channel. But those one-off deals, sometimes it happens, sometimes it doesn't happen. Why wouldn't we take it? We will do it.

Shrinjana Mittal: Understood. And like what kind of business is this? Like is it like corporate gifting or what would be the exact nature of these institutional business?

Abhinav Kumar: See, ideally institutional business is this corporate gifting itself, right, which are these institutional businesses. But sometimes, there are certain strategic things where like, for example, in this case, we had done a special programme with Shoppers Stop and Shoppers Stop did a similar programme with American Tourister this year, this season last year, they had done it with us. And their response in American Tourister was not even half as good as what we did with them, right? When they did it with Tommy.

But would we want to do that every season with them? No. We wouldn't. So they have to take a call also as a brand that we did this one time, so that we populate consumers get to experience, it's more of a marketing also included in it. But would you do that every season? Probably not. So hence, it's not cyclic in nature. The corporate gifting, one customer comes for pricing, one customer comes for branding, there is no cyclic nature in that either. One customer comes, one goes, all of that keeps happening. That is of a cyclic nature.

Shrinjana Mittal: Understood. Understood. And Abhinav, on the IFF Overseas integration, like when should we expect that to come?

Abhinav Kumar: I think by December end or say beginning of January, another 40, 45 days, we should have the approval from NCLT. So I think within this financial year, this thing will be done, the merger will be done.

Shrinjana Mittal: Okay. Got it. Just one more question. Like I don't know if I missed it if you mentioned it before, I joined a little late. So like, what is the plan for store expansion? And like how are we trying to grow that channel?

Abhinav Kumar: We are looking at expanding in all accounts. So yeah, I mentioned about we expanding into franchisees also. So we've opened a lot of franchisee stores this year. We are also experimenting with new format of stores. So probably a bigger, better store where we are able to include all our brands. And going forward also, the pipeline of brands there. We have, which we are speaking to. Once all these brands are there, we would need a significantly larger space.

So as we speak, the overall new store identity and all that is being worked upon. So we're very, very serious on that, taking the store count up. So I think another 18, 24 months, I can safely confirm that we'll have 100 stores. Now the store count is about 46, 47.

Shrinjana Mittal: Understood, thank you very much. Thank you for taking my questions and all the best.

Abhinav Kumar: Thanks, thanks Shrinjana.

Moderator: We'll take the next question from the line of Sharad Anuragi. Sharad, you can go ahead, please.

Sharad Anuragi: Hi, Abhinav. Yeah, I saw a spike in borrowing for the first half. Just wanted to know, down the line since the demand is not coming through the whole consumer sector…

Abhinav Kumar: It is more on the term loans and all of that for the new plant.

Sharad Anuragi: Okay. Okay. So this won't be showing up in the coming quarters?

Abhinav Kumar: Once you've taken that money, it's there.

Sharad Anuragi: Okay.

Abhinav Kumar: So it will not keep on going up.

Sharad Anuragi: Yeah, that's what I'm asking, it won't go up, right? It would stay at the same level.

Abhinav Kumar: Similar level. Whatever stage-wise linked, so for example, now we'll be making a final payment towards the machinery once the machinery is sort of quality checked and the trial run is set in its source factory, then the payment will happen. So whatever stage-linked monies would be coming in, just seeing an uptick in that.

Sharad Anuragi: Okay. Okay. Got it. And the new brands that you were talking about, you are in talks with, would this be the direct contracts or they would be through their India counterpart?

Abhinav Kumar: I think there are multiple of them that we are talking to. So some of whom are direct also, a few of them are direct also, and a few of them might be through their India counterpart.

Sharad Anuragi: Okay. And talking about JC, is it going to follow the same eight-month cycle for the first quarter to it or it's going to take more time?

Abhinav Kumar: JC, in fact, I would give it up to my team that they worked really, really hard on creating the first line. And see I have my fingers crossed, but I have never, I've been absolutely transparent always. So we are looking at -- I would love to launch it in this March itself. So we sort of something which ideally takes at least six to eight months. Here, I think we're launching it in just four-odd months.

Sharad Anuragi: Okay. Okay.

Abhinav Kumar: First launch will happen in Feb, March. If everything goes well, I have my fingers crossed. If everything goes well, March would be our first launch.

Sharad Anuragi: And would that be through an EBO or through the online channel?

Abhinav Kumar: We're already looking at opening a couple of stores. So we're already in touch with one or two good prominent malls. So we're looking at opening one or two stores for sure. I would love to have at least two stores, if not one during the launch. But at the same time, we are also partnering with the key department store chain with a key large format player, and we're planning for a mega launch with them as well. So we'll take the retail route. We will also be obviously available online, but initially, we want to take the offline retail route launching the brand in its full glory.

Sharad Anuragi: Right, because it's important for the customer to get the feel of that product.

Abhinav Kumar: Yes. Yes.

Sharad Anuragi: Yes. And last quarter, we talked about, you said that you're planning for other brands to put their products on your online marketplace that is Bagline? Any update on that or?

Abhinav Kumar: As I said, while we got a few proposals and everything, but we've right now put them on a back burner, I'll be very transparent and honest on that. We put them on a back burner. As I said, here, when you see luggage and all these getting sold at ₹1,000, ₹1,100 now, A, you feel sad, and B, you start questioning here, what should Bagline's identity be?

Are you there to compete with these guys? Or are you there for a different cause. So we're sort of doing some corrections over there. We're trying to explore a different route over there. So till the time, I'm 100% sure that, okay, this is what we stand for. This is where we want to hit. Till then, we are restricting any outside brand. As we speak, there are a couple of brands that the work is happening parallelly. It's not that we've stopped one thing for the other. The work is happening, parallelly, but we're taking our time to sort of get it right.

Sharad Anuragi: Okay. And just wanted to know between this subdued demand, how has been the enquiry for franchisee stores from your end, if you can give some output?

Abhinav Kumar: Past couple of months, it's sort of a little down. I would agree to that. Initially, and last year when we launched the campaign and after that, there was a lot of enquiries. And hence, we saw post the campaign, I think we would have opened some 12, 13 or 14 stores, out of which two would be COCO and rest all would be FOFO stores. So that ways, we were getting enquiries. We still are. It's not that we don't have a store pipeline as of today. We have store pipeline, we have demand. But to answer your question, the demand has gone down a little bit. To a little extent the consumer sentiment, market sentiment is not good.

Sharad Anuragi: Right. And just the last question. I wanted to know that when…

Moderator: Sharad, you are not audible.

Abhinav Kumar: You're not audible, Sharad.

Sharad Anuragi: Yeah. Sorry, I was having some problem with the network. Can you also, from the next quarter, maybe give some details on the number of units sold, would that be possible from your end?

Abhinav Kumar: Sorry, number of -- volume-wise, then volume-wise exactly. I don't have the volume-wise data for all the brands off-hand. But if you're asking more from a volume-wise growth perspective, something I can probably...

Sharad Anuragi: Yeah, maybe not the exact number, just qualitative outlook from your end?

Abhinav Kumar: For the next quarter, you're saying or?

Sharad Anuragi: No, for the current quarter obviously, you would be having it for the next quarter rate.

Abhinav Kumar: Okay. So yes, I think volume-wise, see small leather goods. I think we would have had almost a 10% kind of a volume growth. Travel Gear, I think we have close to a 5% kind of a volume growth. Women handbag, in fact, we've had a quite a bit of a volume growth. But the base was also small, but we would have grown more than 30%, 35% or actually more than 40% in terms of volume growth. So more than 40% in terms of volume growth. Travel Gear would be about 5%.

Sharad Anuragi: Okay. Okay. I just wanted to understand the role of inflation in that particular category. Thank you. That's it from my end. Thank you very much. And all the best.

Abhinav Kumar: Thanks.

Moderator: Thanks, Sharad. Sir, due to time constraint, that was the last question for the day. I now hand over back to Vinay, sir.

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

Abhinav Kumar: Yeah. I just want to mention that whatever, all these discussions and everything, I just want to say that while, yes, the market conditions are not very good, and I think everybody is sailing in the same boat. But all the calls that we are taking now only time will prove whether they are right or wrong. But all the calls that we are taking, we are taking all the calls from a very long-term perspective. And you would want to have, we stick by our philosophy of being a fashion brand, branded play in the Accessories segment. That's our core value that we thrive upon. And hence, we're sort of abiding by that.

And I believe that all the data points that we track, we are still very healthy, which is what I would want to just say by concluding. So hopefully, once the demand, once the overall consumer sentiment and everything is much better, we'll be able to come out with much better colours.

Vinay Pandit: Sure. That is the end of today's call. Thank you to the investors for joining on the call. Thank you to the management team for giving us their valuable time. You may disconnect now. Thank you.

Abhinav Kumar: All right, right. Okay.