



BRAND CONCEPTS LIMITED

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Date: 05th June, 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 03rd June, 2024 for Q4 & FY '24

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 03rd June, 2024 for Q4 & FY '24.

Kindly take the same on your records.

Yours Sincerely,

For Brand Concepts Limited,

Swati

Digitally signed
by Swati Gupta

Gupta

Date: 2024.06.05

Swati Gupta

12:24:45 +05'30'

Company Secretary and Compliance Officer

Mem No. A33016



BRAND CONCEPTS LTD

Q4 & FY24

POST RESULT CONFERENCE CALL

Management Team

Abhinav Kumar – Whole Time Director & CEO

Call Coordinator



Strategy & Investor Relations Consulting

Vinay Pandit:

Good evening, ladies and gentlemen. I welcome you all to the Q4 and FY 2024 Post Earnings Conference Call of Brand Concepts Limited. Today on the call from the management we have with us, Mr. Abhinav Kumar, Whole-Time Director and CEO.

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

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

Over to you, Abhinav.

Abhinav Kumar:

Hi, very good afternoon to everyone and thanks a lot for joining this call. Just reflecting on the last quarter, I think we've continued on the growth path, on the growth journey and the growth in revenue is a testament to that. We've grown by 40% almost from previous year. However, if you look at the net earnings that has come down, primarily on the count of certain pre-operative expenses plus certain investments that we have been making towards building up of the infrastructure for the future whether it is in terms of resources, whether it is in terms of marketing activities, trade activities. We undertook a lot of trade activities also in this quarter where we launched our various collections, we did a line show -- we did a line opening where -- in fact, I would say that we were one of the first ones to do a line opening via fashion show. Post our conference I have heard that there are other brands who have also done fashion shows, but we were sort of the first ones to initiate that. Plus we also followed it up with a big distributor-dealer event in Daman. So we've been investing into such trade activities and trade shows and marketing activities for a better -- preparing ourselves for a better future.

So at the same time, I would also like to reflect on the fact that overall retail has been a little slow. As you would be tracking other retail companies, you would be seeing that the overall is a little -- the trend continues to be -- so the walk-ins have dropped down in most of the malls and most of the large format stores and there is a -- we have witnessed low walk-ins and hence the like-to-like sales -- we have seen a slowdown in the like-to-like sales. It is still in a growth phase, but the

growth is probably in single-digit, lower-single-digit kind of growth, like-to-like growth that we've seen. Though I'm aware of a lot of companies where we've also -- they've come back and said that they've been witnessing sort of a de-growth, however we've still been able to manage single-digit growth over there, but our commitment towards business development, our commitment towards expanding our footprint across the country continues, so that is something that is still ongoing and which is why we've been able to sort of beat the curve and come out with a healthy growth in terms of our revenue figures.

The two new brands that we had signed has now seen some bit of traction. So, Q4, we've started distributing, most of the products have been launched and now they're available in a lot of stores. UCB in particular, we -- I'm very, very happy to share that we are very encouraged by the response that we got from the end consumer, as small leather goods is pretty well placed now in most of the large format stores, so we're seeing a good response over there. So overall, I think we're in a good space, we're in a good position when it comes to these brands and the retail side of the story.

On the manufacturing bit, I would like to update that our merger with IIF Overseas, which is the manufacturing unit, we've got the approval from the Board, from SEBI. NSE, BSE, both, and SEBI approval has been received and now the plans are we already moving ahead in filing our papers in the NCLT. So we expect that whatever time the NCLT takes, about eight months, nine months, but within this year we have that closure as well.

We had also again giving an update on the new hard luggage plant. Very happy to share that the construction work has already started and we are on time. I expect that we should be able to take our first trial runs in Q4 of this year. So JFM, Jan, Feb, March quarter is when we are looking at starting with our trial runs. So hopefully we are on track with that as well. I had said that I expect that the plant will get commissioned in about 12 months and hopefully we might be able to commission it in 10 to 11 months itself, so we are on track over there also.

So all-in-all, yes, it has been overall a good year for us. The last year has been quite good for us. We've also crossed the milestone 250 crore revenue topline and the best part is that we've seen a growth across all channels. So there is not a single channel where I would say that we haven't registered a good growth, so that's the good part of it.

Yes, so that's the update from our side and I would now like to open the house for question and answers, Q&A session.

Vinay Pandit: And I believe you're doing this call for the first time from your new corporate office, right?

Abhinav Kumar: Yes. Yeah. Very, very happy to share that we've also moved to a new office and, in fact, also happy to share that we are already feeling the need that we might have to add some more area in the office, so our family is growing, which is a very good thing to -- good feeling to have and everybody is loving the new office. So anyone coming down to Indore or any point of time, do give us the shout, we would love to take you around the new office. The new office also embodies the culture that I believe, and the entire team is getting aligned to that culture. It's a very fun, it's a very upmarket, very fun kind of a culture, because I believe that people spend more time in their offices than -- rather than with their own family in their own home, so your office is a home away from home. You should feel absolutely free. You should feel happy working in that environment. So hopefully we've been able to create that kind of environment, so people are loving it. Yes and I'm taking this call from a new office and, lucky me, I've got a good view, advantages of being in a small town.

Question-and-Answer Session

Moderator: Anybody who wishes to ask a question, please use the option of raise hand. We'll take the first question from S. Nandikur, you can go ahead please. Mr. Sharan, you can go ahead, please.

Sharanabasappa Nandikur:

Yeah. Thanks for the opportunity. Are you able to hear me?

Moderator:
Abhinav Kumar:

Yes.
Yes, yes, Sharan.

Sharanabasappa Nandikur:

Yeah, thanks for the opportunity, sir. So I'd like to know that, like, next two years, right, so what's the plan with respect to -- as you are expanding and coming up with new stores at the same time, how do you want to ensure that you are growing the profits? And also, what's the debt level you have and what's the cash?

Abhinav Kumar: That's actually four questions bundled into one.

**Sharanabasappa
Nandikur:**

Yeah.

Abhinav Kumar:

So see, next two years, our path remains the same. There's no change in the path. Our path remains the same, trying to grow every channel, right. And when it comes to stores, yes, now, our store count is almost 39, 40 stores across the country and I hope that in the next two to two and a half years, we want to take the store count up to, say, 100 stores, at least to begin with. And most of these stores, we want to take the franchising route to expand into newer territories, increase our footprint across the market. So as we speak, the process is already on. So that's on the store count. So we look at growing every channel, EBO being one. But at the same time, the expansion is happening in large formats also with new brands, every new store that players like Shoppers Stop, Lifestyle, every new store also that they open, thankfully, we are always part of that store. So expansion is happening there. Dealer distribution, we are increasing our footprint, e-commerce, we are strengthening our marketplace operations. So, yes, the plan basically is to continue on the growth path, continue expanding every channel.

In terms of profitability, I think I've always mentioned that we'll always be in the vicinity of around 5%, 6% kind of PAT and for the year, if you look at it, we are still in that vicinity. About 11%, 12% of EBITDA and 5% to 6% of PAT is something that I have always sort of committed to. And so I again and again get these questions asked that do you see the EBITDA spending up to 14%, 15%, 16%? My answer to that would be that right now the aim is not to reach a 15% EBITDA, I think 11%, 12% EBITDA is also a good enough EBITDA at our size. And the aim right now is to whatever we earn, I would like to reinvest that in the company back so that tomorrow, once we change the orbit, we have the infrastructure ready for the future, right. So I think a balance between investing today for the future and also protecting your present, both are important. So, we'll try and maintain a similar kind of a scenario. So hence, I will not like to give a guidance that our profits will -- whatever this year, whatever investments that we've done has been a very conscious decision, has been a conscious investment made and I've always believed that we are reinvesting back using the earnings, and not investing by making loss.

**Sharanabasappa
Nandikur:**

Sure. And in next two years, as you said, you are planning to expand to 100 stores or so, how much debt you anticipate or it will be internal accrual at maximum debt level for these expansion in two years?

Abhinav Kumar: See, it will be difficult to predict the exact debt levels for the next two years, but I can safely say that even today we don't have very high levels of debt.

Sharanabasappa Nandikur: Okay.

Abhinav Kumar: So there is a -- barring the term loan, which we have taken for the manufacturing, we operate at a good, probably sort of 25% of -- no, actually five to six times of turnaround. So our debt levels today are to the team of about 38 odd crores, right. So from 38 odd crores in CC in -- from 38 crores, we've been able to reach about 250, right. Rest is all equity and everything. So we'll always keep this healthy mix there.

Sharanabasappa Nandikur: Sure.

Abhinav Kumar: I'm not a big believer of taking huge amount of debts.

Sharanabasappa Nandikur: Okay, sure, sir. Thanks. And one last question or suggestion like do you have any plans of tie up with any corporate or large companies who give the gifts to the corporates in terms of whether it can be a backpack or any other your products because these days there is a trend of all large big corporate, right, they are giving backpacks as a gifts or any other items, right? So any such plans you have?

Abhinav Kumar: We already have a complete institutional department. We already have a corporate sales department. And if you will see the -- if you just go through the investor presentation, you will see a mix of a percentage of sales coming out of corporate, which has been growing over the years.

Sharanabasappa Nandikur: Yeah. Thank you. Thanks for your time and wish you all the best.

Abhinav Kumar: Thanks. Thanks, Sharan.

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

Pawan Kumar: Yeah. Thank you. Thank you for the opportunity.

Abhinav Kumar: Hi, Pawan.

Pawan Kumar: Hi. So as you alluded that already you have signed few brands and already rolled out.

Abhinav Kumar: Yes.

Pawan Kumar: Are you looking for more brands going forward, as you are expanding, like in terms of stores, in terms of different channels? And also are you looking some new categories into this?

Abhinav Kumar: Categories, though there are one or two categories that are interesting, in fact one of the categories me and Vinay were discussing yesterday and day before, but, yes, I wouldn't say that those could be experiments. I'm not saying that we are branching out into a new category and we're putting all our might behind that category, no, nothing of that sort. I think these three categories have, excuse me, enough and more scope at the moment, so we're not even full potential in these categories. For example, our women handbag contribution is very, very minuscule, and that's just a low hanging fruit. So I think we should be -- as a company, we should be focusing our resources and everything towards, first, optimizing and bettering whatever categories that we have in hand, the brands that we have in hand, rather than fishing out for new categories, so that's not something that we're doing.

Yes, as far as brands go, yes, I had mentioned it earlier also that adding brands is an ongoing process. And eventually, or say three years, five years down the line, we anticipate that or we wish that we are a house of brands and hence, for that we would need a couple of more brands. We are in talks with brands and hopefully the talks, as of now, are quite positive, so let's see.

Pawan Kumar: Okay. And the second question, like, I think last call also you mentioned that you are focused on online channel, particularly B2C category.

Abhinav Kumar: Yeah.

Pawan Kumar: So how was the response of whatever efforts you have done, whatever marketing you have done?

Abhinav Kumar: Very good. Very good. In fact, very happy to share this that, say, two years back, our contribution from marketplaces or B2C, so as I always mentioned, B2B and B2C in online -- so our contribution of B2C in the online sales two years back was not even 10%, right, 5%, 7%, 8% would be B2C, rest everything was all B2B. B2C gives you more power in terms of more control over your pricing, gives you more control over

the end consumer, makes you more robust as a player, and very happy to share that in two years time, we've come to a level where now B2C is almost 40% of our overall e-commerce sales. So we continue to invest into it. In fact, sharing another news with you guys that till date, all our B2C orders are also serviced through our mother warehouse, which is in Indore. So what happens is in, in certain remote places or certain places which are a little -- so Indore has a advantage of being in the heart of the country, central India, so north and west are very easily accessible; one day, two day delivery probably is possible. But when it comes to the east side or the south side, the delivery period is a little longer. So we are now in the process of experimenting a localized depot, a localized warehouse towards the east and south where we'll start delivering to those cities, those states from our -- those distribution points. So we continue to invest into that and hopefully I believe that the B2C percentage will keep on rising.

Pawan Kumar: Okay, just to follow up on this, like, which brands are having a larger chunk of this online or B2C share in terms of revenue.

Abhinav Kumar: Tommy Hilfiger, obviously, it is a more settled brand. We've been doing that for such a long time, so overall share in our business itself in Tommy Hilfiger is obviously quite high. So these are still new brands. It is still take another one or two seasons for them to sort of start gearing up to that level.

Pawan Kumar: Thank you, Abhinav. Thank you for answers.

Abhinav Kumar: Thanks.

Pawan Kumar: All the best. Thank you.

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

Naysar Parikh: Yeah, hi, Abhinav. Thanks for taking the question. The first one was in the market, there are a lot of these luggage startups and brands are coming up, likes of Mokobara and all of them, right. So how are you -- and they're all being VC funded, so how are you seeing the space panning out? Are you seeing more competition? And in the same lines, what different do we need to do to kind of compete with the young brands like them in terms of newer designs and flashier colours and higher marketing and things like that?

Abhinav Kumar:

Right, Naysar, I would say, I, in fact, take it in a very positive light, Naysar, saying that newer brands are actually opening up the market, right. So when we had entered this market, it was a very, very dull, boring, mundane, I remember my conversations with some very senior people of this industry where they commented that it's not a branded game, it's a commodity play and I used to always feel very good, I used to feel happy that, all right, as long as you guys feel that this is a commodity play, players like us will succeed. So it's heartening to see that newer brands are coming in and they're making a splash, they're making a mark. So all it's going to do is it's going to expand the market.

Now, if you look at any mature category, if you look at, for example, watches, if you look at footwear, if you look at apparel, which are all mature categories, in all these categories, at every given price point level, you will have five to ten brands operating, it just increases the overall market. So while there, there is competition, but it's always -- if there is no competition, you start becoming very complacent, right, so competition keeps you on your feet. And currently competition for us, we look at, in the way that there are various brands, and hence every brand will have its own competition set, right. So that is the complexity that we need to sort of figure out as a team that how are we able to manage Tommy Hilfiger, its growth path, its own competition set, and at the same time manage United Colors of Benetton and at the same time manage Aeropostale or any other brand that we sort of sign in the future. So we're not afraid of the competition. I feel competition is good for the overall category.

Naysar Parikh:

Got it. Say that definitely Tommy and Mokobara is on a competition, but can we create something like a Mokobara within us where -- and are we trying to work towards it? Because they are also basically bootstrap, right. And you already have an organization, so either the Vertical or some other brand, can we put -- can we work towards doing something where that itself is like a -- so that was my question.

Abhinav Kumar:

Okay. So just to answer that I'll take two routes; one, I'll first take the news bit. So we are looking at launching one brand from our own stable. It is, however, still in the concept stage, product development stage, and we'll do it once I am fairly confident of the product and everything around it and in the due course of time, I will share it with everyone as well. But right now it is still in the conceptualization stage. This will be the first -- see, when we talk about Vertical and Sugarush, I have always mentioned in my previous calls also that I don't consider them brands, I consider them more as private labels and I consider them more as price fillers and stuff like that. So our first serious attempt at launching our

own brand, we will do that. But having said that, as I've mentioned in the past as well that I don't believe in the burn and earn sort of a philosophy, so we are in no hurry to make our own brand a hundred crore brand and have a 50 crore loss against that 100 crores of revenue, right. So we'll take time, it'll seed in and we'll do all the right activities that are required.

But coming on to the second point while you say that Mokobara is a bootstrap, its balance sheet doesn't showcase that. I urge that just go through the balance sheet and you'll realize that while we -- on one hand, I'm being asked that can you better your EBITDA and on the other hand, the comparison is 100 crore top line with a 12 crore minus bottom line, right. So you can't have both the things, right.

Naysar Parikh:

[Technical Issue] do this with a subsidiary and raise some money there and go ahead and take it, okay. So the second question I had was just roughly, can you talk a bit -- you spoke a bit, but can you talk a bit more about how UCB and Aeropostale is doing, what percentage of sales is it now and next year how do we see it in terms of versus Tommy Hilfiger, the number of stores it will be in and will it be there in all of the UCB stores? Has that distribution already happened, if you can talk a bit about that?

Abhinav Kumar:

Yeah. So distribution for UCB has already started. We are there in UCB stores as well, but I think we would be there in roughly around 60 to 70 stores of theirs by now, while they have almost 150 stores, more than 150 stores. So, distribution in those stores are happening, a lot of those stores are franchise stores. So every store would be a -- there has to be an agreement and all that to be signed and space to be figured out, most importantly, so all that is already ongoing. I would say the response of UCB has been very, very encouraging. I'm very happy with the response of UCB. In fact, if I talk about the small leather goods business, which was launched much earlier than the travel gear business -- travel gear business, I would say that the past quarter has been the first sort of rollout, so it's too early to comment. Initial these things are good, initial feedbacks are good, but still too early to comment. Smaller the goods has seen at least, say, about six months to eight months in certain counters. So smaller the goods, I'm very excited and happy to share that we had taken a target that out of, say, around 15, 17 odd brands available in most of the last format stores like Shoppers Stop. Internally, we had a target or expectation that we'll break in the top five, as a brand, and happy to share that we ended the year being in the top three. So, number one position, again being Tommy Hilfiger and your second brand is now started featuring in number two, number three position in most of

the stores. So that's a very, very -- that's a testament of consumers' confidence on the brand and on the product that they're liking, so happy with the response. Overall share of UCB and Aeropostale is roughly about 10%, 12% in the overall business, and lion's share of that is, again, of UCB because it's all in initial stages.

Naysar Parikh: Got it. This last question, if we look at our inventory, right, that has gone up, like from 31 crores to 51 crores, much higher than.

Abhinav Kumar: Yeah, majorly because of the new brands. So you could say that about five, seven crores of inventory would have increased in Tommy Hilfiger because if you've jumped from, say, 130, 135 odd crores to crossing 200 crores, so the inventory would obviously jump by about five, six crores, seven crores but rest of the inventory is primarily towards the new brands. So initially you have to buy in and now the rollout and everything happens. So in the next couple of quarters, I see that it should start settling down.

Naysar Parikh: What if [Technical Issue].

Abhinav Kumar: Naysar, your voice is cracking.

Naysar Parikh: Sorry, I was asking our payable days proportionately have not increased. Payable days have gone down to our creditors. So is there some change in our terms with them or something?

Abhinav Kumar: No, it's primarily because of the SME, a lot of these suppliers are SME suppliers and there is a --

Naysar Parikh: Right, right, yeah.

Abhinav Kumar: Yeah.

Naysar Parikh: Okay, got it. Okay, fine. Got it. Thank you so much. Thanks, Abhinav. All the best.

Abhinav Kumar: Thanks. Thanks. Thanks, Naysar.

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

Yashowardhan Agarwal: Yeah. Hi, sir. Hi, Vinay. I hope you both are doing well. Thanks for this opportunity. Sir, I have few questions, but the first question is that

what are our plans to increase in the southern territory? Because I can see that there are only three stores of ours in the total, like in Karnataka and Telangana, so what are our plans? Do we have distribution over there? So can you please just elaborate more on that?

Abhinav Kumar:

Yes. So we've started distribution in southern categories and now, in fact, we are bifurcating it state wise. So this year -- so in terms of distribution, dealer distribution, yes, we've started aggressively over there and we'll start seeing the results in this year. Even in terms of large format stores, we are well penetrated in south. EBOs, when it comes to EBOs, yes, we just have three stores. But as we speak, actively we've been looking for opening newer stores over there. It's just that a lot of the malls in the southern part, they already well established malls and they have long-term leases running six years, ten years. So once the right location comes up is when you look to sign the store. However, as I said, in those -- the hundred stores that I talked about, in the next two years, I think only in south of India, we could have easily 15 to 20 stores, so very, very focused on that, sir.

**Yashowardhan
Agarwal:**

okay if you can tell bifurcation of our revenue coming from different parts of India, let's say from central, it might be coming 20 or anything like that. We have done anything like that, the bifurcation of revenue, maybe online sales or just total -- overall revenue.

Abhinav Kumar:

Yeah, see, we would have that data primarily for -- see, distribution, for example, if you will see our north and east is roughly 45% and south and west would be about 55%. So that's the breakup for your distribution business. EBOs, of course, because they're the various different these things, there is -- it's -- we would have that data available, but I'll be very honest that I wouldn't have the offhand data of overall revenue, how it gets distributed but B2C, we are definitely tracking those data points because there you need the proximity of delivery and hence, as I said, that south is a very prominent market for us and hence, we now looking at opening up of a new warehousing facility in south so that we are near to our end consumer. But overall, if you say that, I wouldn't remember it offhand.

**Yashowardhan
Agarwal:**

Yeah, okay, sir. Sir, my next question is that, sir, we don't have the license to sell Tommy lady handbags. Just considering that the JV is giving license for the hard luggage and all related products. So my question is that, so just for this one product, why don't we have the license because sir we can see Tommy handbags are very famous

among the people like those who prefer it. Sir, any particular reason for it?

Abhinav Kumar:

Yeah, globally they align their footwear and handbags together. And generally a lot of fashion brands, what they try to do is they align their footwear and handbag together. And if they're very, very serious on the women's side, the brand has taken this thing that they want to keep these categories internally and hence they have these categories internal.

**Yashowardhan
Agarwal:**

Okay, sir. Sir, my next question is on the Vertical. Sir, I was just looking at on the side that the prices of Vertical bags, hard luggage are comparable to the UCB hard luggage. So, sir, like, how is Vertical placed? And sir, apart from that, I've seen some advertisement also done on the Vertical, like signing Rinku Singh as a brand ambassador in one of the videos. So, sir, just wanted to know your stance on Vertical.

Abhinav Kumar:

Yeah, so with Vertical, we are actually at a very, very interesting phase. We signed Rinku Singh, but it was not a -- it's not a very long-term deal or something, it was more of a one-off social media promotion, which we are trying to capitalize and market. But with Vertical, we are experimenting something in the distribution business where we trying to pitch it in at a lower price bracket, right. And hence, right now, the idea is that it's -- again, as I said, it's an experiment. We're not losing money on it, but the idea is that we will probably not make money also on it, right. But if we can increase the penetration of the bags and see if it starts working off on those kind of price points. Earlier, I myself used to say that when you look at the entire pricing strategy from mass to luxury and everything in between, that's the layers. I always used to say that I will neither be in mass nor be in luxury, not both the ends we will not focus right now on, or we'll not be -- and we will always be in between. So starting from a mass premium to a bridge to luxury, and I've been filling up brands also accordingly with that strategy in mind. But with Vertical, we are -- we said, let's experiment entering the mass segment. Now suddenly, why this shift? Why the shift of strategy? This shift comes from the fact and we had a lot of internal debate on this and this shift comes from the fact that to play in the mass category, you need to -- one of the prerequisites is that you need to have your own manufacturing because that gives you the strength, that gives you the pricing power to place that product at that kind of a price point. We obviously never had that and hence I never wanted to look at the mass category till then. Now with our own hard luggage coming up -- hard luggage plant coming up, I foresee that in the next, say, 10 odd months we will have that strength in-house, right, so why not experiment with

one brand of yours, which was, as it is, a price filler, and try and place it in that mass market. When I say a mass market pricing, I am talking to the likes of a Safari, I'm talking to the likes of Aristocrat, I'm talking to the likes of all these brands which operate at that given price point. So it's an experiment and hence we thought, let's give it a little flavour, just before the IPL, we did an activity with Rinku Singh and we placed the products in the market and I think the response was brilliant. We sold out, so now we're reordering. So let's see. I have my fingers crossed if this works.

**Yashowardhan
Agarwal:**

Okay, sir. Sir, my next question is on the scaling of Aeropostale. Sir, you talked about UCB. UCB is scaling up well, so what about Aeropostale? Because I think it is also in the same category. So if it is scaling up, well, there are any difficulties in scaling in terms of cost, right. I remember there was some point about talking about it earlier, so I don't remember it clearly, but if you can just spend some time on that.

Abhinav Kumar:

Yeah, Aeropostale, the scale up has been a little slow, I think on two counts; one, we said as a strategy internally, we decided that Aeropostale need -- we'll focus it more on e-commerce, more online, rather than offline. And the scaling up has been a little slow on two counts; one, had hoped that we knew that Flipkart, or Myntra, Flipkart Group is going to be signing up Aeropostale as a mother brand, as the mother category, so apparel and all the other categories they were supposed to sign. Now, that whole process took quite a lot of time. So they have now signed it and they've now started making merchandise and taking the brand live. So once the mother category is not available, the build up for only this one is a little slow, right. So that was one. And b, I will also not shy away from the fact that I think we still, as a team, we need to do a lot of work on the product; cracking that price point, cracking and with a good aesthetic is something that I think I would say that we've not done a very, very good job at it. So hence there is still a lot of scope for improvement where we need to crack that price point, crack that product, along with the design, sensitivity, quality, everything. So I think once we have all of this correct, it will start to sort of flourish. But I've always maintained -- at the same time, I've always maintained this also that Aeropostale for us was always, from day one, it was not a heavyweight brand, it was always a lightweight brand.

**Yashowardhan
Agarwal:**

Yes, sir. And sir, one last question. That is on the logistics cost, so probably these are logistic cost and considering that we are going to

expand aggressively going from 40 stores to 100 stores, that is our target in next two and two half years. So sir, will our logistic cost increase a lot? And so looking at hundred stores, what would be our COCO and FOCO mix?

Abhinav Kumar: See, I don't think logistic cost is going to increase much. It is always going to be a percentage, so logistics is something which is a direct expense, right. It's like the more you sell, the more you -- this thing ship, right, and hence it'll always be a direct expense. It can never be a fixed expense. So, it's always be a percentage and that percentage would always be to the tune of 4% to 6%, whatever; 4%, 5%, 6%, that's the expense which even today happens and it will continue to be in that zone. In terms of once we have 100 stores, what would be the mix of COCO and FOCO; today if you see out of the 39 stores, I think we have almost 25 odd stores as COCOs and rest as FOCOs. So going forward, I would see that with 100 stores, the mix would be, say, anywhere between 40 to 50 stores as COCO and the rest being FOCO. So 40% to 50% of the stores would be COCO and 50% to 60% of the stores would be FOCO.

Yashowardhan Agarwal: Sir, thank you. That's all from my side. Good luck.

Abhinav Kumar: Thanks. Thanks. Thanks.

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

Sankalp Vaity: Am I audible?

Abhinav Kumar: Yes.

Moderator: Yeah.

Sankalp Vaity: Hi, sir. Firstly, congratulations on good set of numbers. So, the question is regarding Tommy Hilfiger brand. So if I'm not wrong, the brand wise mix for Tommy Hilfiger would be roughly around 80%, right.

Abhinav Kumar: Yeah.

Sankalp Vaity: And the license agreement, if I'm not wrong, would end till 2026. So I just wanted to know that what exactly would provide that confidence in, say, likelihood of such -- likelihood for extension or say, a renewal of such agreements.

Abhinav Kumar: See, what happens is Sankalp -- so I'll tell you, so technically, our agreement came on renewal, we were ending -- the last agreement was ending in December 2023 and the agreement arrangement is such that PVH Europe gives the license to PVH and Arvind JV in India, and we get our license through that PVH and Arvind JV, right. So they also follow a particular cycle. So their licensing contract was only till December 2026, and hence our contract came in the middle, right, so in the middle of that cycle, so we got renewed till December 2026. Hopefully from once their contract is also renewed, we will also follow in the same cycle, which will -- so next renewals will start happening with a five year or a six year period renewals. Hopefully that will start happening.

At the same time, I would say that Titan is the licensee for watches, and their initial agreement had ended in, if I'm not mistaken, in 2014 or something. And from 2014 to 2024, they've undergone two or three renewals already and it's a part of the process. So once you -- until and unless you squander something or there is a major you -- you've not done justice to the brand, you've not followed the protocols, it's more like a marriage until it's something that you can't mend, only then you take a divorce and that divorce is always painful from both the sides. So I would -- sort of I hope I've answered your --

Sankalp Vaity: Understood, understood. That was the only question from my side.

Moderator: We take the next question from Shrinjana. Shrinjana, you can go ahead, please.

Shrinjana Mittal: Yeah. Hi. Thank you for the opportunity. I have a couple of questions, Abhinav.

Abhinav Kumar: Hi, Shrinjana.

Shrinjana Mittal: Hi. Yeah. So one is that you mentioned that the UCB sales have started to show up and so congrats on that firstly, so can you help me understand what is the price point difference between UCB and Tommy Hilfiger in terms of the small leather goods? And has the UCB sales in any way impacted the Tommy Hilfiger sales, say, for -- say, at least at the LFS levels because, like, just so -- that's my first question.

Abhinav Kumar: So in terms of price points, there is a -- depending on the overall, on the category, smaller the goods, if you talk about, I think there is a 30% kind of a -- between 30% to 40% kind of a price difference. So if a

Tommy Hilfiger wallet would cost you, say about 3000 rupees, likewise kind of a UCB wallet will cost you about 1800 rupees to 2000 rupees, so that's the kind of difference, so there is a 30% to 40% kind of a difference. I wouldn't say that in the large format stores, UCB has impacted Tommy's sale or something because both are very, very different consumer set points, right. If there is a -- if there are two brands where the price difference is hardly 10%, 5%, 10%, then you could say that they're competing brands, right, but if the price difference is well above 30%, 40%, they cater to very different set of audiences. Having said that, there are no watertight compartments here, right, so it's more of a Venn diagram and there will always be a little bit of an overlap, but that's part and parcel of the whole game, you know.

Shrinjana Mittal:

Yeah. Understood, understood. That's very clear. So second, Abhinav, if you look at this quarter sequentially, it's flattish, right. And like in the past few calls we've discussed that there is some seasonality in the inherent luggage business but we always mention that because like we are in a sequential -- we are in a secular growth path, for us, it's not showing up as of now. But is there an impact of seasonality in this quarter sales or is it because the overall demand has slowed down? Like, can you give some colour on that? How do you think about it?

Abhinav Kumar:

See, I would -- so there are three things I'll quickly cover. One is, when I used to say that right now I think we should be growing every quarter that was two years back. When we were at 86 odd crores or say 150 odd crores of retail, internally we always see everything from a retail perspective because we are a more wholesale driven company and hence our retail turnover is obviously almost double. So two years back it used to be double, now it could be -- you'll have to multiply it by say 1.8 or 1.85. So at 150 crore level when we were there, I could say that right now we just had what, 150 crores. And hence you have to have a sequential growth quarter-on-quarter, which we deliver, right. We delivered it right up till 300, 350 odd crores. Now at 250 crores. Which means you are roughly around 450 odd crores at retail right now, so here your like-to-like sales and BD both have to go hand in hand, right and seasonality will definitely kick in; so, retail, all quarters can never be equal. Q4 being a March ending quarter, your primaries happen in Jan, Feb. March, your primaries are quite less. You don't want to do a lot of primaries in March because lot of big accounts also, they shut down their warehouses after 15 of March, they do not take new inverts stock taking, stock counting all that. And hence, you see across the board, everyone, every player, Q4 will never be equal or more than Q3, it will always be sort of a little subdued from Q3. And yes, seasonality definitely will play a role going forward.

Now, having, apart from the seasonality, I would tend to sort of agree that the current slowdown has also impacted. So probably right now, if I see a drop of around, say, 10% from Q3 to Q4 sequentially, had the slowdown not been there, probably this drop would have been 4% to 5%. So there is definitely a drop because of the overall demand being tepid.

Shrinjana Mittal: Understood. Understood. So, on our core brand, which is Tommy Hilfiger, what kind of growth are we expecting, Abhinav.

Abhinav Kumar: See, this year -- see, when I -- earlier also when I used to say that we expect that we can easily grow at a 30% CAGR, you have to understand the rationale behind it. The rationale was always sort of a 15% like-to-like growth, right, which is when we say like-to-like, it is same counter, same month compared one year to the other year. And another 15 odd percent would come from your business development activities with your new stores, new footprints, new shop in shops, and all of that. Now, if your like-to-like sales is suddenly -- like-to-like sales is always market driven, right. So if the overall markets are a little subdued, and if you like-to-like sales come down, from 15% it comes down to, say, 5%, even if you still continue on your 15% BD, you will still end up at a 20%. So, this year, to be honest, what we've done internally is that we've made only H1 budget. We said, let's look at how the H1 is going and we've kept a dynamic sort of sales budget and overall budget internally. So we're doing H1 as H1 and once we see the markets opening and everything, that's when we will double down on H2. So I wouldn't be able to give you the entire guidance for the year right now, but we're expecting H1 to be anywhere between 15% to 20% overall.

Shrinjana Mittal: Okay. Okay. Thank you. Just one last question, Abhinav. So, about the merger, when will it be effective? You mentioned that it's with NCLT.

Abhinav Kumar: 1 April 2024.

Shrinjana Mittal: Sorry.

Abhinav Kumar: 1 April 2024, so the effective date we've already taken as 1 April.

Shrinjana Mittal: Understood. Thank you. Thank you for taking my questions and all the best.

Abhinav Kumar: Thanks. Thanks, Shrinjana.

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

Sudhir Agarwal: Can you hear me?

Moderator: Yes.

Abhinav Kumar: Yes.

Sudhir Agarwal: Thank you for taking the question. I just have one question regarding are we in advanced with any of the brands? Firstly in the travel gear segment and also I remember earlier you had said once that we are also looking for brands in the caps or shoes category also. So are we in advanced discussions and we are hopeful of closing any of those or will it still take time?

Abhinav Kumar: Not shoes. I've never mentioned footwear. Caps I had definitely mentioned. But as of now, in terms of caps, we don't have any brands that we are in discussion with. But for our core categories, yes, we are in discussions with few brands and hopefully within this year we should be able to sort of freeze upon.

Sudhir Agarwal: Thank you. Yes, you said a couple of them.

Abhinav Kumar: Yeah, yeah, I did.

Sudhir Agarwal: Okay. Thank you.

Moderator: Thank you. We'll take the last question for the day from Pawan Kumar. Pawan, you can go please.

Pawan Kumar: Thank you for the opportunity again, Abhinav, as I saw, like you have increased channel mix. Like, if I could just see from year-on-year, you've added two more channels.

Abhinav Kumar: Yeah.

Pawan Kumar: So just want you to understand what is the strategy like, like are you channel agnostic? Like you want to enter new channels or is it again a strategy to focus on certain channels? So what's a broad thought about?

Abhinav Kumar: I think when it comes to sales and channel agnostic, as in we need to be present -- you need to increase your consumer touch points, right. Whether it is through e commerce, whether it is through offline, when

you come to offline, you again have multiple channels and I think you should be well and widely spread. And one channel that we've added per se, if you will see, is I think CSD otherwise -- Canteen Stores Department, otherwise we were there in all channels even earlier [Hindi Language] [0:58:50] and CSD, we're happy to share that we've already started our deliveries. First set of deliveries have started, happened in Q4 and initial reports are that we're getting a fairly good response in CSD.

Pawan Kumar: Any sense, which channels are more profitable for us or is it again –

Abhinav Kumar: No, obviously there are channels which are -- for example, CSD right now would be very less profitable for us. We will still be making profits but it is also because of the fact that in CSD, what happens is you put up a file and those price points, those items, everything is locked, so it's that file. You can't now in between change either the price of the item or change the item or anything of that sort. And sadly, what had happened is because of COVID or whatever, our file got delayed quite a lot, so it was almost two and a half, three years. Now, in the past two and a half, three years, the costs went up, but you were not able to pass on those costs in terms of pricing. And it takes about -- once you start the deliveries, it takes about one year where you can then go back to them and sort of log in for a price change. So hence, we're going a little controlled in CSD right now for this year and once our price change and everything also happens, we'll go full out. But having said that, all the other channels, e-commerce, of course, remains one of the best profitable channels for you. But having said that, I wouldn't say that offline is very far behind or something, every channel sits 2%, 5% up or down but if you're managing it well. And then there are life cycles, if you've opened new stores, certain stores will take some time to sort of come up, but once they come up after three seasons, those stores also start giving you similar kind of profits. But you opening new stores, new stores, new stores, it's a cycle, but otherwise, 5%, 4% up or down most of the categories, they're at a similar level.

Pawan Kumar: Thank you, Abhinav, for the detailed answers and all the best.

Abhinav Kumar: Thanks. Thanks. Thanks.

Moderator: Thank you, Pawan. That is the last question for the day. Abhinav. Do you want to give any closing comments?

Abhinav Kumar: No, I'm good. I think we are poised for whatever the things that we have said and we are in a good space. I would just say that.

Vinay Pandit:

Sure. That brings us to the end of today's conference call. Thank you to all the participants for joining in this late, and thank you to the management for giving us their time. You may all disconnect now. Thank you so much.