BRAND CONCEPTS LIMITED

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Date: 21th August, 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 - 400051

Symbol: BCONCEPTS

Scrip Code: 543442

Sub: Transcript of the Investor Meeting held on 13th August 2024 for Q1 ended 30th June 2024.

Dear Sir/Mam,

With reference to the above captioned subject, We Brand Concepts Limited, herewith attaching the post result conference call transcript for the investor meet held on 13th August 2024 for Q1 ended on 30th June 2024.

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

Link:

Thanking You,
Yours faithfully
For Brand Concepts Limited,

Swati Gupta Digitally signed by Swati Gupta Date: 2024.08.21 14:20:34 +05'30'

Swati Gupta
Company Secretary & Compliance Officer
Mem No. A33016

BRAND CONCEPTS LIMITED

Q1FY25

POST EARNINGS CONFERENCE CALL

Management Team

Mr. Abhinav Kumar - Whole Time Director & CEO

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Moderator: So, ladies and gentlemen, I welcome you all to the Q1 FY'25 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, this is a reminder that this call is being recorded.

I would now request the management to detail us about the business, performance highlights for the quarter, the growth plans, and the vision for the coming years. Post which, we will open the floor for the Q&A. Over to you, Abhinav sir.

Abhinav Kumar: Thank you. Thank you, Raj. Hi, everyone. Very, very good afternoon, and thank you for joining for the post result call. Just reflecting on this quarter's performance, I think looking at the current market conditions of being a little subdued, we've given a good robust growth of 20%, close to 20%, 19 point something is the growth that we've registered over the previous quarter as well as the last year's same quarter.

So, and this primarily has been on account of where we've been expanding our footprint across all our brands. The new brands also are going into multiple various locations. So we expanding the footprint across the country. So, on account of business development, we've registered a good growth.

However, at the same time, I would also like to say that the like-to-like, which is same-store sales growth has been subdued as the overall. We've seen lower walk-ins. There was a very bad heatwave across the country, which all of us are aware. So even that heatwave has impacted retail overall. You would have seen that across most of the retail companies results that the sales have been impacted.

However, as we speak, there's some silver lining in the grey cloud, that the retailers started to pick up. So, we hope that going forward, things will be a little better. And with the company, what I'm happy about is that our business development activities are going as per our plans, and we're garnering more and more locations. And hence, once the market conditions also improve, we're going to have a cascading effect of a higher number of doors. And hence, probably the growth would be a little better.

The margins have been improved from Q4, of course, the last preceding quarter, but still subdued from the previous same year quarter. The reasons remain to be the same as I had explained even during my last call that a same-store sales, the growth has been subdued. And hence, while the expenses have gone up, but the sales have not matched up to those levels. So, there's some bit of a margin pressure over there.

Apart from that, of course, the other aspects being the higher royalty still impacting this thing, because it's the old inventory, the seasons inventory, which where the royalties have not been able to been loaded, some preoperative expenses towards, the new capacity budgeting and all of that. So, the reasons remain to be similar as the last quarter. But very, very hopeful of covering a lot of this, probably in the coming quarters, if the market conditions improve.

Apart from that, this quarter very recently, we announced the acquisition of a new brand. We've signed up Juicy Couture. Now I'm sure I'll get questions on Juicy Couture, and hence, I'm answering it, beforehand for public at large that, Juicy Couture is a very, very, strategic addition to our portfolio. We've been eyeing this space, where we look at our women handbag kind of a brand. And the price point is going to be more in the super premium bridge to luxury kind of a category, which I've been speaking about for a long time that we're looking at adding a few brands in these categories.

So Juicy Couture solves that purpose. And we've signed sort of a long-term lease, so it gives us time to build upon this brand, and then reap the benefits for a longer duration of time.

Yeah. So that's the overall this thing, from a project update perspective, both the IFF merger as well as the new plant, the new hard luggage plant both are on course. So, the merger is already in NCLT, and hopefully, we should be able to complete that in the due course of time. Hard luggage, the plant is very much on time. And I hope that by the end of FY'25, the plant should start getting commissioned.

Some good news over there as well. We have also finalised our new plant head. I will make the formal announcement once the person is on board, but we're getting a very senior seasoned person, who's been in hard luggage manufacturing for a very long time, and been in very good roles across all the top players in this category. So, we've got a good person coming on board over there. So, I'm very, very hopeful, for our manufacturing this thing.

So, yes, that's the update from my side. Let's start the Q&A session, Raj.

Question-and-Answer Session

Moderator: Thank you, Abhinav. We will now open the floor for Q&A. All those who wish to ask a question may use the option of raise hand. In case there's a problem at your end, you can also drop a message on the chat. We'll take the first question from Kashish. Kashish, you can go ahead and ask, please.

Kashish Gandotra: Hi, congratulations on a good set of number. A couple of questions from my side. So, this Juicy Couture brand, which we have acquired, which kind of market? Is it going to be a premium segment, or is it going to be the mass segment, which we are going to cater to?

Abhinav Kumar: No. It's going to be premium. Premium in fact, it's going to be more towards super premium and rich to luxury.

Moderator: Anyone who has a question can raise your hand or ask your question on the chat. We will take the next question from the line of Jinesh Joshi. Jinesh, you can go ahead and ask your question, please.

Jinesh Joshi: Yeah. Thanks for the opportunity. Sir, can you share what is the term of our license with Juicy? How much royalty are we going to pay? And say, two to three years down the line, what can be the contribution of handbags to our overall top line?

Abhinav Kumar: So, for confidentiality reasons, Jinesh I'll not be able to give the exact terms of the agreement. But I can tell you this that, we've signed a very good term with them. The good part is that, so technically, the contract is 10 plus five. So, we get a 15-year license ideally. 10 years is the contract period, and there's an auto renewal clause of another five years. So, we get a long-term contract. And the royalty percentage is also quite lucrative. So, we have a lower royalty percentage over here. So that's an advantage.

And in terms of top-line, I would say women handbag overall as a category, I think, it's a very, very good category. And we've been missing out on this category for the lack of brands. And hence, we're now looking at building it on. It'll be difficult to say what exact top line will we garner in this, but I expect that over the next couple of years, I believe that women handbags should be anywhere between I would expect it to be anywhere between 15% to 20% of our portfolio.

Jinesh Joshi: Got that. And will this be a synthetic leather offering or a genuine leather offering? Because if I look at the synthetic leather market, you have Caprese from VIP. You have Lavie, Baggit, ESBEDA. So, there are a lot many players, which are competing in that market, and it is quite fragmented, so to say. And also, I'm not too sure about Juicy's positioning in India, given there are a lot many smaller brands, which are nurturing quite well. So, what are your thoughts, in terms of competition given the fact that you aspire to achieve 20% of your top-line from the handbags category in two years?

Abhinav Kumar: See, whether it is Caprese, whether it is Lavie, and all these brands, they are more in the mass segment, Jinesh. So, they operate at price points anywhere between ₹1,200, ₹1,400 to say, about the ₹3,000. That's the price point that they generally operate at. Juicy Couture, if I talk about Juicy Couture worldwide also the brand is positioned more in the super premium bridge to luxury segment. And in India, we are still looking at placing it in that segment itself. So, I would say that probably we will be pricing it anywhere between ₹5,000 to ₹15,000. That's the kind of price point that I'm looking at.

Now why are we looking at that kind of a price point? Because if I see, there is a white space. There are very, very few brands in those price points. So if I talk about the segment of 1,000, 1,500 to say 3,000, 4,000, 5,000 also, there are a plethora of brands and the competition is extremely tough over there, right? Whereas, the moment you move up, once the customers want to elevate and they move up, so the next this thing is directly, the likes of Michael Kors and COACHs of the world, which start only at ₹15,000, ₹18,000, right?

So, and then you have, again, a lot of brands over there. Then you're competing with the Michael Kors, then you're competing with a COACH, then you're competing with so on and so forth. So beyond, obviously, then you start getting into luxury and all of that. So, this is a price point 5 to 15, which is sort of a white space. There are very, very few brands. And we've chosen this brand after having studied the market, studied competition, speaking to premium chain stores like Shoppers Stop, understanding from them where is the need gap, where is the price gap available today, right?

And, hence we see that, we should be able to create a good proposition for us in that kind of a price point. To answer whether it will be an imitation leather or whether it is leather, it will primarily be, it'll not be a 100% leather brand, because Juicy Couture doesn't lend itself as a brand into leather.

But having said that, I don't know if you guys have seen GUESS handbags in the market. If you look at GUESS as a brand, they're really doing well, and they're not leather. So, there are different materials. It's a very high-quality bag. Different materials, different treatments, high on fashion, and I think there is a good business to be developed in the brand. I hope I've answered your question.

Jinesh Joshi: Yes. Thank you so much. Just one last question from my side. So, if I remember right, we entered into the CSD channel sometime back, and I believe in Q1, CSD contributes roughly 9% to our top line. Given the fact that this channel was absent in the base quarter, incrementally, it should have contributed more to a top line, but what I have observed is that the benefit of CSD is negated by fall in the institutional business, whereby our share has come down from about 22% to 15%. So, any specific reason why the institutional business has come down?

Abhinav Kumar: So, see, last time also when we had done that institutional business, even then I had said that, okay. We've done a strategic tie up with Shoppers where we did that. We've done a similar sort of an exercise this year also. But see institutional business is something which, while we are focused on it and it is growing for us. But, however, it's not like retail, where if you've opened 50 counters, every month, you will get sales, something or the other from those 50 counters, right? And you keep on building, building, building upon it.

So, few quarters, institutional could be up. Few quarters, it could be down. But we focused towards institutional business. But, however, in terms of taking strategic calls with certain partners that would only be done when it is required on necessary.

So, again, in institutional business there are two things. One is where you purely giving it in corporate lifting. The second is if you're building something with a chain store, like Shoppers Stop and planning some institutional sales. We don't classify it into retail. We classify those sales into institutional, because then, if I classify it into retail and if you see a drop in it. So, then it reflects key as if your sales of those stores have come down. Hence, it has been classified into that. But it was a strategic tie up with a chain store, and we've got orders, big ticket order in that.

Jinesh Joshi: Got it. Thank you so much, and all the best.

Abhinav Kumar: Thank you, Jinesh.

Moderator: Thanks, Jinesh. We'll take the next question from the line of Rajiv. Rajiv, you can go ahead and ask, please.

Rajiv Gaonkar: Thank you for the opportunity. I have few questions. First, can you explain the IndAS impact on your profitability?

Abhinav Kumar: Yeah. So, the IndAS impact or, that I would say, the overall non-cash impact is almost to the tune of a crore. So, the way we read it internally is, right now my PBT is reflecting about 2.42. Whereas, if we take off these impacts, then it's actually at 3.43. So, the new corporate office, then whatever new stores that we have opened, we've also signed up a new warehouse. So, I think the lease rental gets calculated in a very different way in IndAS. So that's the sort of impact, which is there.

So, we call these non-cash items. So, ESOP also, if you look at as a non-cash item. So, if we take off all of this, you can roughly take off -- you can add back say a crore in PBT.

Rajiv Gaonkar: Yes. Thank you. Next question is we've seen the store addition was soft in Q1. Can you guide on where it would be in H1 odd of this year?

Abhinav Kumar: Yeah. So Q1, yes, we haven't announced really. It is just one or two stores which were announced in Q1. But I think we've made it up in July. July, we've added another four stores, EBOs, all franchisee stores. So, I think single month it is highest figure four stores in one month. We've still not announced it, because what we do is once we launch a store, we give it a two-week period to sort of iron out, all the issues, your POS machine, card machine is working fine, software is working fine. So, we do a soft launch. And then for about 10 days, we run the store like that.

And then we sort of go ahead and announce. So H1, I had said that we'll add about 10 stores, and we've already added six stores. As we speak, I think August also, we should be able to open another two to three stores. So, we're pretty much on target on whatever I had committed in H1.

Rajiv Gaonkar: Okay. So, my next question is what is the update on CSD business?

Abhinav Kumar: So CSD is actually touch wood. I'm very, very happy with the response in CSD. We've approached CSD in a very, very unique manner. So, we've created shop in shops also over there. In all the premium counters, we've created shop in shops. Our fixtures are everything looks extremely different. This is something of first of its kind which has happened in the canteen stores department. So, they're also very happy with it, and we've got a very, very good response.

So, initially the idea was that we'll go a little controlled. We'll not suddenly sort of open, all the depots, all these things. So, we were going controlled. We've seen some sort of traction. The traction is very good actually. The sell through is very good. Sales are in whatever limited number of this thing that canteen that we've gone, we've seen a brilliant response over there. So, now is the time when we geared up, and we will sort of start expanding on that entire segment. So, we'll start pushing the accelerator.

There is a little bit, I'm again telling this upfront that there is a little bit of our net realisation, gross margins are a little low currently in this channel, because I had I think explained it earlier also that the file that we had presented was probably just pre-COVID. And then COVID happened, and the whole thing got delayed for three years. So while there was a price escalation in terms of the COGS going up, but we couldn't have gone back to the file and changed the pricing, because then we would have to apply all over again.

And hence, we took a conscious call that, okay, never mind. We'll go ahead with the same pricing even if the margin intake is lower. That's fine. We'll build upon this. And once you complete a year, CSD then allows you for a price escalation, product replacements, and all of that. So, once we start doing that, the margins will also start getting better. But as of now, we are more than margins, we are focused on increasing our point of sales. We're also focused on giving our defence forces, personnel, the customers over there, the right experience, the right product and all of that.

So, and I would say that I'm very, very happy with whatever the team has been able to sort of build over there.

Rajiv Gaonkar: Thank you so much. That's it from my side.

Abhinav Kumar: Thanks, Rajiv.

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

Sharad Anuragi: Hello. Thank you for the opportunity. Hi, everyone. Congratulations on the number. I wanted to understand this Handbag segment, bit in detail. Because as you mentioned that there's an interesting gap from a price spend for ₹5,000 to ₹15,000. But are we looking to onboard more brands in this particular segment? If we are expecting 20% of the revenue down the line, say three years from now, I think some other brands would also be onboarded if my understanding was correct?

Abhinav Kumar: If you see, for example, in Benetton also, we have brand handbags, right. So, Benetton maybe handbags here, but Benetton is at a lower price segment, right. Juicy Couture is more a women's brand, and to cater to the woman who is willing to pay ₹7,000, ₹8,000, ₹10,000 for a handbag, you need a conducive brand, right, with which she's able to relate. So, while, I understand most of the participants over here are men, and you would have probably not heard Juicy Couture. But if you ask women, they would be probably aware about the brand, right?

So Juicy Couture is going to serve this particular price segment. You have a United Colors of Benetton, which again has handbags. Aeropostale also, we have handbags. So, we're playing at different price points. So, when I said 15% to 20% from handbags, I did not mean only from Juicy Couture. You're absolutely right that it cannot happen only from one brand, at least in the next three years.

But, yes, the overall booking will start getting into order. And then whatever other brands also that we sign or we look at, we look at fashion brands. So, handbag as a category will lend itself onto those brands also. I hope I've been able to answer.

Sharad Anuragi: Okay. Just a follow-up question. This is from the price line. What I wanted to understand is, so if a woman is walking into the store and buying a Juicy Couture bag, do you expect working woman to buy this brand? Because from my understanding is this brand gets sort of a chic or a vibrant vibe?

Abhinav Kumar: Yeah. So, we'll have, so as of now, we also have plans of opening Juicy Couture standalone stores, right? Because again, a good aspect of Juicy Couture is we've signed a lot of other categories also. So, it's not only handbags. So, we've signed accessories also. We're planning to do scarves also. We're planning to do lot of keychains, key fobs, your small pink lets that you wear. There'll be pouches. There'll be beauty cases. There'll be so, we've also signed up for example, hats. So, we want to present it as a lifestyle brand. We want to present it as a very fashion forward brand.

From a product perspective, you will have ranges, which you can call as, when you develop a product, you give a whole array of a basket of products. So, while there'll be something for her, if she wants to carry it on the beach, if she's going on a vacation, she'd be carrying a bag. We'll be offering something to the tune of that as well. But at the same time, we'll be offering something which she can carry it every day to the office. And the business in that segment is quite sizable, right? So even if we are able to see, I generally, I believe that rather than focusing on the output, what we should be doing is focusing on the input. Because if your inputs are right, the customers are going to love it. And I think the brand, the product, pricing, all three in my mind, the fit is nice. However, customer is the final king. So we're going to get our answers once we get closer to the launch.

Sharad Anuragi: Yeah. Thank you. Great explanation, Abhinav. Just one last question, I think in the last con call, you said that for the H1, you will be putting down your marketing side of the expenditure. So, from this quarter, can we expect a little more expense on the marketing side?

Abhinav Kumar: Yeah, we already brought it down from Q4 to this Q1, and we further going to be raining on the marketing expense.

Sharad Anuragi: Thank you, Abhinav.

Abhinav Kumar: We will be further fine tuning it.

Sharad Anuragi: Okay. All the best.

Moderator: Thank you, Sharad. We'll take the next question from the chat. Ishpreet Kaur, you can go ahead and ask please.

Ishpreet Kaur: Hi, Abhinav. Thanks for the opportunity.

Abhinav Kumar: Hi, Ishpreet.

Ishpreet Kaur: Just wanted to understand, so there is a mention of certain brands in the annual report that the company would be selling under Bagline like, CK, Samsonite, Delsey. Just wanted to understand what is the kind of agreement we have with these brands?

Abhinav Kumar: So, it was actually a typo. We went back and we've corrected that. But I'll tell you where it has stemmed from. We were contemplating that on our e-commerce, which is bagline.com, we got an interest from CK, DKNY, and a couple of other brands to sort of come on board. So the idea is we are exploring that. However, it'll require some more preparedness of the entire IT infrastructure. So, it'll have to be a plug and play where if it can be a more of a marketplace kind of a model, it's more in the experimental stage.

So, when the people who are preparing the annual report and when they asked about a few different channels, and we mentioned about this, and that's how it just suddenly got captured in the Bagline store or Bagline overall concept. In the stores, as of now, we're not introducing any of these brands. But e-commerce, we are looking at that should we try a marketplace model with a few outside brands. But that's in the -- as I said experimentation stage. So, we should be able to comment on that better once we cross that hurdle.

Ishpreet Kaur: And this would be purely from the marketplace perspective and not in terms of brand curation and in terms of your focus towards the business in terms of curation of the brands and the newer brands or the retail aspect of it?

Abhinav Kumar: No, so if you see curation of brands is the only reason probably why we would have these on our website, because we've been focused and we've always said that we are more in the fashion space, more in the premium space. And hence these brands fit the bill. Customer visiting bagline.com then gets a curated experience that, okay, he's getting all the like-minded brands available at one this thing.

Because if you see, today, if I talk about most of the other e-commerce players, they've become more of horizontal players, right? So, you will get an unbranded to branded to and if you have to buy one thing, you have to go through pages of and pages either you go into the filter and start putting the brands that you want. Otherwise, slowly and steadily, what is happening is that e-commerce, most of the players, except for the luxury ones. In the premium space, there is no curation happening, right? Everything is [indiscernible].

Amazon was always a marketplace. Flipkart was always a marketplace. Myntra was the only player which was a curated experience. And I see that also dwindling a little bit and hence, I sense an opportunity that, if you have a vertical play in e-commerce, so a specialty e-commerce where the customer is getting a curated experience of premium. Not luxury, luxury because luxury again TATA CLiQ Luxe is available, Ajio Luxe is available. But in the premium space, that whole curated experience is missing. And hence, once we spoke to these brands and the brands are extremely willing and all of that.

So, it's still under the contemplation that can we do all of this on our website. Retail, it becomes a little more challenging because when you're doing your own brands, you have higher gross margins, right. And, so there'll always be a biasness. You'll always be making more money in your own brands rather than making money in the other brands, because they'll be giving you a finite sort of a margin. So it doesn't make sense to cannibalise your own this things in retail. But in e-commerce, probably this could spin into a different segment all together.

Ishpreet Kaur: Sure. Okay. And, the other part is that, if we look at the license fee expense as a percentage of sales, that has also increased say 50, 60 basis points Y-o-Y almost close to 11 odd percent, so with UCB coming in, we were under the impression that maybe the license fee should be lower versus a Tommy Hilfiger. So, if you could help us understand that?

Abhinav Kumar: Yeah. But as I said that, there was a royalty increase. And since, Tommy is still, if you look at the overall percentage of contribution of Tommy, it's close to 80%. Hence, you see the impact. If there wasn’t UCB or other small royalty brands. The royalty percentage would have been probably even higher.

Ishpreet Kaur: Okay. And do you see this royalty fee coming down once you get to a certain scale, or would it like continue being at this high level?

Abhinav Kumar: I don't know. I can't say it with 99% it'll not come down. But once you set up something for the brand, it becomes a little difficult to…

Ishpreet Kaur: Take it back.

Abhinav Kumar: Yeah, take it back. So, 90%, I would say that they'll probably not go back. And what happens is, lot of brands which you sign with their

Indian counterpart, the Indian counterpart also has to pay a royalty, right? So hence, signing with the Indian counterpart is always going to be a little more expensive than signing any brand directly. So, Benetton is also not that low on this thing, because they are also an Indian counterpart of the foreign entity. So, the Indian counterpart has to pass on some to the foreign entity as well. But if you look at Aeropostale, if you look at Juicy Couture it's a direct contract.

Ishpreet Kaur: Right. Just one last thing. So based on this conversation, so maybe a 12%, 13% EBITDA margin on a sustainable basis for a long-term should be doable, or can higher EBITDA margins also be done?

Abhinav Kumar: See, when we talk about long-term, when we talk about margins, I think higher EBITDA margins can be done even today, right? But what I'm trying to do is whatever we are earning, I have said this earlier also that I don't believe in burning on philosophy. But so we're first earning, and then we're putting that money back. In preparing ourselves for the next jump, we've been in this orbit of ₹60 crores, ₹70 crores, ₹50 crores, ₹60 crores.

So earlier, I was in the orbit of ₹40 crores a quarter, then we moved up to about ₹50 crores, ₹60 crores. Now we're getting inching towards the ₹70 crores kind of a quarter. Whether it is today or whether it is probably 10 years down the line, we're not going to stop, right? I have huge aspirations with Brand Concepts and what we're doing. So, I would not stop.

So for me, whether it is a ₹500 crore or whether it's a ₹1,000 crores, which is big, I would say neither of them are big, right. If my potential is going up ₹2,000 crores or ₹3,000 crores, why will I think that ₹500 crores is extremely big, right. So, we will keep reinvesting, right.

Hence, I believe there are 12%, 13%, anything between 10% to 12% of an EBITDA is a good EBITDA, right? It's a decent EBITDA. We're not very extremely good, but we're not extremely bad also. Let's maintain that and then plough back that whole money to grow. So prepare yourself for the next 10 years.

Ishpreet Kaur: Right. Sure. Thank you so much.

Abhinav Kumar: Thanks, Ishpreet.

Moderator: Thanks, Ishpreet. We'll take the next question from the line of Kashish Gandotra.

Abhinav Kumar: Yeah. There are two direct messages which have come to me also, Raj. I'm not able to read them, because if I read them, then I miss, age is catching up. I'm able to focus only at one thing at a time.

Moderator: Sure, sir. We can take the question from the chat now.

Abhinav Kumar: Yeah, so Mr. Ram Pandey, this year ending turnover CapEx guidance, if possible, give with PAT margin?

So, I think this year ending turnover, CapEx have I think we've already mentioned with whatever CapEx that we're doing towards the plant, it's about overall project was about ₹30 odd crores, and we're deploying that. Apart from that, there's some CapEx that we are also deploying towards our warehousing that will also entail about anywhere between ₹5 crores to ₹6 crores of CapEx.

Actually, the overall CapEx of warehousing is further high, but plan to do it in phases. So, the first phase is going to be about ₹5 odd crores to ₹6 odd crores. So that'll be the roughly, and then your regular CapEx of few stores and all of that. So, roughly, that will be the overall CapEx, this thing.

In terms of turnover, I had mentioned earlier on that, the market sentiments are not that conducive right now and which have been proven true. You can see it across, the retail industry results. We've still been able to post a 20% growth. So, I think we will try and maintain this at least till H1. Once the market conditions improve, things start happening, then probably internally also we're looking at H1 separately, and then we're looking at H2. So, I'm waiting for this entire Diwali period. I have my very high hopes that the Diwali should be good. So, let's wait and see is what I would say.

There's one more question from, Mr. Manish Gupta. Hi, over the past few quarters, Brand Concepts revenues are rising faster than peers. This is the case in current quarter as well. Does this imply Brand Concepts is gaining market share? Also, how long do you expect margins pressure to continue?

Okay. Yes, we have been growing faster than our peers, for sure, which absolutely also means that we are gaining market share. At the same time, I would say that markets are also increasing. The branded segment is also increasing. But we are yet too small to comment on capturing any of the competitors' market share. But, yes, we've been gaining. I can say that we are now available across more point of view.

So, we've been gaining, when I say we've been gaining market share, I think we've been gaining consumer touch points. We've been gaining stores. We've been gaining in distribution. We've been opening stores. There are a lot of last when October, we had done the whole campaign and everything, and I was asked also that done a high decibel campaign. And I had mentioned it at that point of time also that more than the consumers, that campaign was also more from a B2B perspective.

And I'm very, very happy to share that we're getting a lot of franchisee inquiries. So, of course, we're opening franchisee stores. So, all of this is increasing our overall footprint. At the same time, we're increasing brands. So, I think net-net, we would say that we are in a good position, currently. Margin pressures are there, but I think these are temporary pressures. It could rain in for a few quarters here and there or a couple of years here and there. But I think, we have a lot going for us.

So, our manufacturing is going to kick in. Our base is getting larger. So, economy of scales is going to kick in. So, I think by FY'26, we should start seeing the effect of all of this coming into play. So, yes, I hope I've answered both Ram Pandey and Manish Gupta. I hope I've answered your questions. Raj, we could take that next question.

Moderator: Thank you, Abhinav. There is one more question in the chat from Shrinjina mittal. Can you give some sense of when the IFF Overseas integration would come and some sense of Tommy's share in this quarter sales?

Abhinav Kumar: IFF, I think we are already in NCLT. And if I'm not mistaken, towards the end of September is when the Shareholders Meeting is supposed to happen. And I think after that, it'll take another couple of months, so four months max. So, I would say that, we're looking at towards the end of Q3 at best that hopefully all of this done. But it's a government process, so it's a little difficult to actually give you a date for that, but yes, we are on track for that.

Now coming on to the probably, I think overall, if you look at, we're still in the same vicinity of around 80 odd percent of our sales coming from Tommy Hilfiger.

Moderator: Thank you. We'll take the next question from the line of Kashish Gandotra. Kashish, you can go ahead and ask your question, please.

Kashish Gandotra: Yeah. Congratulations, Abhinav, on a decent set of numbers in this top line. Three questions from my side. First question would be, what has been the same-store sales growth in this particular quarter, and what is our expectation once the market improves? What kind of same-store sales growth can we expect?

Abhinav Kumar: Yeah. So, like-to-like, to be honest, if you're asking, there is a degrowth rather than a growth. So, there is a degrowth in like-to-like sales from last quarter. So, hence, now you see the whole impact of BD. So, we've been able to do a lot of, BD, a lot of business development to cascade over like-to-like sorry for this thing. So EBOs, yes, even in across large format stores also. A couple of categories, a few categories here and there, probably, you would have like, for example, luggage per se. We've sort of in certain channels, we've still grown. Small leather goods like-to-like, there is a degrowth. So, but net-net, if you talk about like-to-like, all across there has been a degrowth.

Kashish Gandotra: Okay. And I think once the market improves, we'll come back to the growth rate, correct?

Abhinav Kumar: Yes. That's what as we speak, for example, July was better than June. So, and August also, we're seeing some shoots. There are lot of holidays also. So, 15th is a long weekend. Then we have Rakhi is also coming up. So, hopefully, it's been almost one year last, September itself. Last August-September, we started seeing slowdown in the demand. So, I'm expecting that, one year period has passed. I hope that now things will start looking better.

Kashish Gandotra: Sure. Thanks. Second question would be in terms of competitors, Abhinav, where do you see major competition coming from? Is it the listed players, or is it the unlisted? Like, we know there are couple of players who have spent in a great amount in the marketing bid. So where are we facing stiff competition from?

Abhinav Kumar: See, I would say competition is from everywhere and it is difficult to pinpoint that we are directly competing with someone and our different brands are again, price positioned in a different way. So a UCB, I would say that we have a more difficult task where we are competing directly with some of the risk, right. Tommy, I think, we are as it is in terms of price points. We were always a little higher.

And, yes, a few players in the unlisted space, and I'm sure you would be probably talking about the Mokobara or Nasher Miles. And I've been asked these questions earlier also.

So, if you look at, I think, somewhere, whether it is for that growth or whether it is whatever. Even if you look at today, Mokobara now, earlier, I used to love their content. And I admire them for whatever they have done. So, there's no this thing about that. But today, if you look at whenever you open, all you see is communication of discounting, right? So, there is some bit of pressure happening all across. I say that, I consider that competition will always be there.

Somebody can bring in a normal luggage also and say that we have more features and all but how we are different or how I would want to differentiate the rest of the market is that the rest of the market or most of the people plays are a category play, whereas we are more of a brand play, right? So that's where our differentiation lies.

Kashish Gandotra: Right. Absolutely correct. And one last bit on, I was, regarding this recent issue in Bangladesh. I was seeing some of our competitors has the manufacturing plants in Bangladesh. So, do you see most of our competitors would have the plants in Bangladesh, or is it just one or two players where we got to…?

Abhinav Kumar: No, I know further some other players also who have been sourcing a lot from Bangladesh. So, all the big-ticket players were sourcing a lot from Bangladesh. Yeah, there is going to be an impact for them. Good for us.

Kashish Gandotra: Right. Sure. Thanks. And if I can squeeze one last time, this new brand which we have acquired Juicy Couture, the kind of gross margins which we'll get that will be in line with the remaining products, right? Or will it be down, since I think luggages or your sense on this thing?

Abhinav Kumar: I would say that, there if not more, it'll at least be same. it should be more.

Kashish Gandotra: Okay. Thanks a lot, Abhinav. Congratulations, and all the best for the upcoming quarters.

Moderator: Thanks, Kashish. Thank you. We'll take the next question from the line of Kevin Shah. Kevin, you can go ahead and ask, please.

Kevin Shah: Yeah. Hi, Abhinav. Thank you. I just have three questions. My first question is, what are going to be the key growth drivers to reach the ₹599 crore target revenue? More details if you could share in terms of channel strategies.

Abhinav Kumar: Sorry. Reach what revenue?

Kevin Shah: ₹599 crore target revenue.

Abhinav Kumar: ₹599 crore. Where did that come from? Okay. Yeah. So, see the key growth drivers are going to be, is what we are doing today, right? Expansion of your footprint. So, whether it is large format, whether it is digital, whether it is distribution, whether it is MBOs, or whether it is our own stores, you keep on increasing your footprint.

There's still a lot of markets where we are not there. So, A, expansion, over there; B, adding brands, white space categories, wherever we see that, okay, we are not there in the strategic category, we add a brand or a product category in those categories. So, all of these are the key growth drivers, and of course, the rising consumerism in India. So, as I said, that branded play is going to rise further and further. So, hence, these are the main key driver that are going to be there.

Kevin Shah: Okay. Thank you. What are our plans on capitalising on the Bagline channel to sell other brands and allied products?

Abhinav Kumar: Bagline retail, I'm not sure, because there is a finite space. And as I answered earlier also that, we would like to sell our brands only over there, majorly. But when it comes to the bagline.com as a channel, that of course, it's a different ballgame all together. We can definitely add more brands over there and try and give the consumer a curated experience. But at the same time, we need to answer a lot of things.

At the same time, we're looking at Bagline to have an omni sort of a play. Now if you have a brand which is available in the website, but the same brand is not available in the store, how will that sort of happen? So, a lot of things needs to be answered. Apart from that, all these new brands, even if we allow a few, or even if we sort of collaborate with a few brands to come on our website and do sales.

I don't want to, again, get into the whole model of buying their inventory, keeping it in my warehouse, and then selling. It's going to increase our investments drastically, right? So, I would like to do a omnichannel for them, or I would like to be a marketplace sort of a curated marketplace experience for them. So, for that, then your technological infrastructure has to be such that it's a plug and play sort of a model. So, we are exploring that as well.

So, lot of things happening on that front, but we will sort of discuss a little more once, internally, we are absolutely sure about, which route to take.

Kevin Shah: Okay, Abhinav. Thank you. That's it from my side and all the best.

Abhinav Kumar: Thanks, Kevin.

Moderator: Thank you, Kevin. We'll take the next question from the chat from Sudhir Agarwal. So, you had mentioned that Sugarush and the vertical will be developed into brands looking at the capacity we will have after the new brand. So, what kind of initiatives have we taken or looking to take to turn these into mainline brands? Like, have we started selling these in our offline stores? Have we increased the varieties in these brands?

Abhinav Kumar: Okay. So, Sugarush, yes, we sell in a couple of our stores. In fact, we have some variety also over there. So Sugarush, the whole strategy is that we are right now keeping it mostly confined to our stores, EBOs, and we're selling from there. And somewhere, we're getting a decent sort of attraction also. Vertical is an interesting story, though. We've experimented with two models in Vertical in distribution space, in MBO space. And we've taken a very, very different sort of route, very different strategy. And I'm happy to share that the markets have responded pretty well, very good, actually to those strategies.

So, we're looking at building there something. Though I myself, I used to say that we will not be available in the mass market, but we are dabbling our hand over there, experimenting over there. You may ask why they depart from the original narrative that we don't want to be in mass as well as in luxury. Luxury is still maintained. We'll not be in luxury, but mass, I'm trying to double my hands in. To be able to do something in the mass market, you need the backing of manufacturing, right? We never had our own manufacturing when it came to luggage.

But now I'm seeing that the hard luggage manufacturing is on the horizon. And hence, trying to double my hand that can we actually then look at creating something which could go into the mass market? Because we'll have that power of pricing. So, the response initially is good. I wouldn't still, I wouldn't say that please don't read it into this thing that over now suddenly, the vertical will start getting very big, and we'll start, because we're competing with very, very seasoned players. We're competing with the likes of Safari of the world. And I think they have done a brilliant job in capturing that market. And hence, when you have such a tough competition, we shouldn't be counting our eggs before they hatch. So, we'll wait and watch. We'll see how it goes.

Moderator: Thank you. We'll take the next question from the line of Ankur Gulati. Ankur, you can go ahead and ask please.

Ankur Gulati: Abhinav, the marketing expense which you mentioned is going to come down in Q1, Q2. Is this more seasonality, and it'll go back to Diwali season levels, or no? I mean, you'll spend more money in Diwali?

Abhinav Kumar: Little bit of seasonality is there let's say in Q1 you did more in Q2 it dropped and in Q3 yes. Because of Diwali, there'll be certain ads. But as I said, by the end of the year, it would have come down to the levels that we had sort of I had indicated. So, last year, if you look at our marketing spend had gone to almost close to 8%. That's something that, said that, I'm in the business of licensing. I'm not in the business of making these brands.

Yes. Once in a while, you invest strategically thinking that, okay, we need to invest. Like, for example, Juicy Couture. It's a 15-year license for me. Very good gross margins. Even if I invest today, it is required. You invest today, and you are then able to reap the benefits over a long period of time. So, but apart from that, if I talk about, yes, we invested in Bagline last year. And now we are seeing the results, right?

So, H1, we have opened more than 10 stores now in only franchisee. And we have a good pipeline, so it's growing, right? So, the investments are subject to a particular strategy. Apart from that, on a regular basis, yes, our marketing spend will never be more than 4% to 5%.

Ankur Gulati: So, it was before you hired?

Abhinav Kumar: We'll be bringing it to those levels.

Ankur Gulati: So, 4% to 5% used to be before you hired Arjun Rampal, right?

Abhinav Kumar: No.

Ankur Gulati: So, what was that before that more 2%, 2.5%?

Abhinav Kumar: Yeah.

Ankur Gulati: Or not even then that?

Abhinav Kumar: 2% to 3%.

Ankur Gulati: And that extra 4% you spent last year was one-off. So steady-state, you're saying we were 2% to 2.5% is now going to go to 4.5%, right?

Abhinav Kumar: Yeah. Between 4% to 5%. 4%, 5%, that kind of a number.

Ankur Gulati: And more from a strategy perspective, you have now added JC. So, you're basically monetising your funnel or channel, whatever you call it, right?

Abhinav Kumar: Yes.

Ankur Gulati: From a 12-month perspective or 24-month perspective, any other subcategory on your horizon?

Abhinav Kumar: Not a subcategory category, but, yes, product extensions are being tried day in, day out. So, small leather goods, I think there are a lot of other small items which we can get into develop accessories. It's a large space, and gifting for example is a brilliant space today. People looking at gifting something premium to something. So, we are developing those kinds of products as well.

Ankur Gulati: Who has JC's apparel license in India? They have apparel line as well, right?

Abhinav Kumar: No. As of now, apparel license, they had signed up with the group, but I think we need to circle back to them and check if, as far as I'm aware, they're also in talks with a couple of other players. So, whom they finally, as of now, apparel doesn't exist over here. But the U.K. licensee, for example is a company and PDS runs in millions of dollars. They're the U.K. licensee. And they have done a fabulous job in creating a brilliant line in U.K.

Ankur Gulati: But the way I understand what you're doing with JC is something similar to Gap accessories in India. Not the whole line, but only the Gap accessory line?

Abhinav Kumar: Yeah.

Ankur Gulati: Gap. And what's your experience? If I'm not wrong, that was Arvind, correct? Gap, but I don't know who was it. But that subline, how did that do for whoever that licensing in India? See, because for a small store, if you go to a mall, you end up paying 16%, 17%, 18% as rent. You want to do exclusive accessories stores. So how do you see that playing out? If at all aspiration is to grow their exclusive stores.

Abhinav Kumar: If you talk about, when we talk about accessories, we see women handbags is going to be the mainstay, right. So, you can easily expect that 75% of the overall revenue is going to be coming only from the handbag division, right. Another 25% will be other accessories.

Now, if you look at today, the price point that I'm talking about is a similar price point as your, Tommy Hilfiger handbags. You have Guess as a player over there, right? Now, Guess is doing very good.

Ankur Gulati: Understood. Last thing and bit of a moon-shot. Any thoughts if JC doesn't get an India partner? You want to get the entire product range with you or no? Or you think you're still not ready for an apparel line?

Abhinav Kumar: I wouldn't want to get into apparel, to be honest at this point of time. It requires a completely different set of people, the entire buying, merchandising, fabric. Everything is very great. We don't understand that product, right? Neither me nor my entire team, although, I can probably just comment that it is good quality t-shit and all we don't have that knowledge.

So, hence right now, getting into that, we'll not be able to do justice. And then whom do you want to fight with? You want to fight with Arvind and Madura's and Reliance's of the world? I mean, so but yeah, having said that that in the Juicy store, there is a quad set of Juicy Couture, which is a jacket and a lower. I don't know if you ever just do a Google search in Juicy Couture and that's the first image generally which comes up.

And when the brand was hugely popular in the U.S. at one point of time where the likes of Cindy Crawford, Pamela Anderson, all these top models, they used to wear Juicy Couture. So, now that quadricep is a very, very integral part of that whole brand story. So we are in contemplation that the EVO that we open, probably, we'll just dedicate one shelf to squad sets. But that's about it. We're not looking at getting into apparel completely. So, it's more to give that consumer a brand experience.

Ankur Gulati: And a brand and entity. Correct. So, this product you will import, right, wherever they're manufacturing? You're not going to?

Abhinav Kumar: Yeah. No.

Ankur Gulati: Got it. All right. All the best. Thanks.

Abhinav Kumar: Thanks.

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

Naysar Parikh: Yeah. Hi, Abhinav. Thanks for taking the question. Just couple of them. So, you mentioned that, obviously, there is weakness in the market and lower SSSG and things like that. Our online to that effect has grown very well. I think 33% Y-o-Y, but there is weakness on the physical store front and things like that. Why do you think that is and how do you think the next few quarters will be?

Abhinav Kumar: See online, also if you see, online if you're comparing it with last year's Q1, in online your base keeps increasing, right. So, and then you start calling something as a run rate. So run rate, obviously, in Q2, Q3, Q4 itself slowly the run rate has been increasing. But if you look at Q1, I would rather say that even e-commerce was a little subdued.

Probably the rate of growth, which they had came down or whichever ways. Second in e-commerce, there was also a huge pressure of discounting and capturing of bluer ASPs. Now if you keep lowering your ASP, you might be gaining higher in terms of volume. But I consider that not as a very healthy growth. So, your value growth should always be slightly higher than your volume growth, right. And rather being the vice versa where you're gaining on volume, but you're not gaining so much in terms of value, which means either you're discounting higher or your ASPs are coming down.

Having said that, if you look at, sorry, what are the second part of your question?

Naysar Parikh: How we see that going forward? Like, what I'm trying to get to is that, is it that, physical stores? Is it that are we seeing weakness in Tier 2, Tier 3? So, I was trying to understand that. Is there a geographical play because of which we have a different online offline growth?

Abhinav Kumar: This was a Pan-India player. At the end of the day how much will customer buy after COVID, for the next two years, consumers went berserk, right and then, there has to be some consolidation which happens how much will the end consumer buy.

Naysar Parikh: True, true. And so how long do you think this consolidation do you think it takes a three, four quarters for this to normalise?

Abhinav Kumar: That's the reason I'm very hopeful that, by this Diwali, this Diwali should be good. So, I'm quite hopeful that, it should start bouncing back.

Naysar Parikh: Okay. Understood. Second question was, when we look at UCB Aeropostale, it's been maybe 18 months, now since the brands have, we've added them. But it seems that the pickup is not as great. What is your evaluation? How would you kind of judge those two brands and how they have done?

Abhinav Kumar: Yes, so I would say that, you're right that, it's been about 15, 18 months that we signed. However, you should never calculate it from the signing, this thing, because it takes about good seven, eight months, nine months to develop products. So, the whole process, once you sign, then the designers will start designing. They'll take about at least 45 days to 60 days just to design it on the computer, present it to the brand, take approval, then get into sampling.

You're developing everything for the first time. Add two to three months of production and one month of shipment time. So, once you calculate all of this, let's say that we started launching, for example, UCB luggage, started getting rolled out only from November, December onwards, right. UCB small leather goods, I can say that we started rolling it out from towards the end of Q2 last year, calendar Q2.

So financial Q2, July, August, September period, that's when August, September is when we started rolling out. If you see UCB SLG. Recently, we got a ranking report from Shoppers Stop and very, very happy to share that the number one brand in small leather goods, ranked in Shoppers Stop, Tommy Hilfiger, and the number two is

United Colors of Benetton, right. So, our target was that, within one year, we will break in the top five. Here, I would say that less than one year, we are the second highest brand. So, the number one and number two position is both us. So, we are gaining traction as we speak.

Luggage, but at the same time, yes, I would also say that there a lot of, there's still a lot of work to be done, specifically if I talk about more on the handbag space, we've recently introduced handbags in a few counters. We've got a good response, but I think still the option count, the overall collection coming through. So, give us one or two more seasons, and you'll start seeing the colour of United Colors of Benetton. So, the colour will start coming.

Naysar Parikh: Got it. So last question on manufacturing. So, two parts with one, our own plant, how's that going and what's the timeline and things to that.

Abhinav Kumar: In fact, as of now, we're running almost, I would say 10 days ahead of schedule. But hopefully we continue on this path. So very, very happy with the way that plant is coming up. And I just said, we're also getting an industry veteran onboard to run that plant. Very seasoned professional. So, hopefully, we'll have some good news.

Naysar Parikh: So that should start production by when?

Abhinav Kumar: FY'25.

Naysar Parikh: So, beginning of FY'25?

Abhinav Kumar: No, no, end of FY'25.

Naysar Parikh: End of it, okay. And on the merger, you mentioned that we are progressing on the legal side, but operationally on the back end, are you doing something so that once the merger is concluded legally, we can just bring into action very soon, and we don't waste.

Abhinav Kumar: The work has already started over there as well. So we are, for example, increasing our client base over there. There are two to three new clients who've actually come to us, and sample developments and all of that have already started. So, yeah there also work is going on and probably, this whole Bangladesh situation might be a little more helpful to us.

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

Abhinav Kumar: Thanks.

Moderator: Thank you, Naysar. Abhinav, if you may there is one last request in the chat from Jatinder Agarwal. Jatinder, if you want to go ahead and ask. Jatinder? Okay. Since that was the last question for the day, do you have any closing comments?

Abhinav Kumar: No. I think, it's good. I think I'm pretty happy with the way things are going and happy with the results as well. So, hopefully, things will be brighter going in the future.

Moderator: Thank you. Thank you, all the participants, for joining on the call, and thank you to Abhinav for answering all the queries, patiently. That brings us to the end of the conference call. You may all disconnect. Thank you.

Abhinav Kumar: Thank you, everyone.