BRAND CONCEPTS LTD

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POST RESULT CONFERENCE CALL TRANSCRIPT

Management Team

Abhinav Kumar – Whole Time Director & CEO

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Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: So, ladies and gentlemen, I welcome you all to the Post Result Conference Call of Brand Concepts Limited. Today 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 could exemplify your judgment and further expectations regarding the developments in the business. These forward-looking statements may involve risks and uncertainties that may cause actual development and results to differ materially from our expectations. Also, this is a reminder that this call is being recorded.

I would now like to hand over the call to Mr. Abhinav Kumar, Whole-time Director and CEO. Abhinav, I'd request you to kindly brief the participants a bit about your business and performance for the quarter post, which we can open the floor for Q&A.

Abhinav Kumar: Perfect. Hi, good afternoon, everyone. And thanks a lot for joining -- taking out time and joining today. I just first give a brief about what Brand Concepts is and what we do, how we operate. And then I'll come on to the quarter results as suggested by Vinay.

So Brand Concepts as a company, we are into fashion accessories licensing. The business of licensing is, I think it's a very, very evolved concept internationally and now in India it is -- it has started gaining steam. So how licensing works, I just give a brief understanding of what licensing does and how we work in that space.

So licensing, so any brand which becomes big, and they want to have a brand extension, they launch different categories right to extend their brand into various different categories. And in order to do that, the brand necessarily does not have the core competency of that category. So for example, if it is Levi's, for example, and if Levi's tomorrow it's a Denim brand, right? It's a worldwide Denim brand and that's what their core competency is, but if tomorrow Levi's wants to launch say watches, they feel that the brand is quite big and we want to get into watches.

So but how do -- how will they get into watches, they don't have the know-how of watches. So, what they do is, they contact a watch expert, right and they outsource the whole brand to that watch expert. And this outsourcing is known as licensing. It's outsourced through a means known as licensing agreement, where you give the license to that company.

Now the company gets the rights not only to market the brand, but also to design, develop, manufacture and control the whole supply chain, the entire chain is controlled by this company, right. And in order in lieu of selling that brand, they are -- they get into an agreement of a royalty payout.

So, whatever sales that happens there is a certain percentage of royalty, which goes to the principals, the brand owners, where the brand owners control the entire aspect or the functionality of their brand is through exercising a control over design approvals, and quality approvals. So obviously the design, quality all of this is approved by the brand. So that the brand sanctity is maintained and rest everything is left to the licensee to operate the entire business.

A lot of companies that we know are working through this licensing mode or franchising mode in India. So, for example, a lot of these Madura Brands that you see, a lot of Reliance Brands, a lot of Arvind brands, they work through this genre itself. So, in a way we are very, very similar to these companies, who are operating into multi-brand setup. The only difference is that they are into apparel and we are focused on accessories.

When it comes to accessories, there are three categories that we particularly deal with. One being Travel Gears, when I say Travel Gears right from soft bags, backpacks, business cases to your luggage, hard luggage, soft luggage, the entire realm, the entire gamut of products under Travel Gear. Then we have small leather goods in which we do men's, women's belts, wallets and other leather items. And the third category that we have is women handbags, lady’s purses and all. So, these are the categories that we operate in.

And in terms of our distribution, if you see -- in terms of sourcing, for example, we have factories which manufacture for us. So, we tie up with these factories, and they work on our designs, our products, and manufacture and give it to us as a contract manufacturing. Once we sourcing the products, then we start distributing it across the country, all the licenses that we have are for Pan India, and there are exclusive licenses. So apart from us, nobody else can sell those products officially.

So, in terms of our distribution, we cover the whole gamut of right from your big department store chains or large format chains like Shoppers Stop, Lifestyle, all these guys to having our own stores, own EBOs by the name, either it would be the particular brand store, or we have our own format of stores by the name Bagline. So, we operate Bagline stores across the country, and we sell through our own stores as well.

And then, of course, we also have distribution where we cater to a lot of mom-and-pop stores. So, we have distributed across the country, in lot of states where we then cater to the multi-brand outlets of that particular town, city or state. Apart from this, we are also present on the digital platforms. So all Amazon, Flipkart, Myntra's of the world. And we have now in fact started developing our own marketplace as well and we're seeing a good uptick on the marketplace sales as well.

So that's about distribution. So that's about what we do. So just like how any brand or any company operates, right from product inception to the end sale point, we also operate similarly, we control the entire lifecycle of the product. And yes, so that's what we do.

Now coming on to the quarter results. I think we've seen a very, very healthy result and a positive growth. So, from quarter-on-quarter perspective, if we look at, I think we've grown by almost 20%, more than 20% quarter-on-quarter. The EBITDA has grown over 21.5%. Needless to say, the net profitability and PBT obviously shows a much, much higher growth percentage.

So, it has been a really good quarter for us. And where we see that this quarter, what has helped us as has paid off well is that, A, we've grown in terms of our own brand sale also. So, our own brand sales also started growing. We have grown in terms of the large format stores have bounced back very well.

So, post the pandemic, I think people are wanting to sort of go out and shop and hence the overall consumer market sentiment has been very good. Sales in the premium segment has been very good. So, our ASPs have also in fact gone up. Our discounting's have come down. So, all these are very good signs for a retailer for a brand. And it shows the product offering that we are giving to our consumers, the consumers are very well accepting those product offerings.

So, consumer sentiment in the Premium segment has also benefited us a lot. Apart from that now, our distribution business has started to make a very good headwind. We've started our distribution in the Northeast segment sector, we were not present earlier in the entire Eastern market. Now we've started the Eastern market and we are seeing good results in the Northeastern market where we place distributors, master distributors and work has started to pay off really well.

So yes, so these have been online obviously continues to play a dominant role and as a company we are developing a lot of inhouse strength to be able to capture the entire digital sales and the entire digital platform is managed internally. So, I was speaking about the marketplace. We are now -- we are operating marketplaces on all the -- on all the major platforms. So Myntra, Ajio, Amazon, Flipkart. So marketplace gives us a much better control, a much better handle on taking our products live on these platforms and control the discounting part as well and still grow in terms of sales where marketplace sales have shown a significant growth over last year.

So yes, so these are the aspects which have actually contributed for our -- a good quarter result. I think that's what from my side, from the quarter perspective. Going forward in the next three quarters, we expect to continue similar kind of momentum. In fact, not only for these quarters, we also look at that in the next two to three years. We should be able to register a healthy growth.

The company is working very, very actively with a couple of new brands to be added. And we're very, very confident that we should be able to add at least one brand in this year and we are very focused on adding only international brands. So yes, that's the outlook for this year and the coming years. So, I think we could now just open the house for questions, I think.

Question-and-Answer Session

Moderator: Yeah, sure Abhinav. We already have a question from Agastya Dave. You can go ahead.

Agastya Dave: Hey, am I audible?

Moderator: Yes, you are.

Agastya Dave: Hello, Mr. Abhinav and thank you Vinay for hosting the call. How are you, sir?

Abhinav Kumar: All good. All good. Please tell me.

Agastya Dave: Great to hear. So amazing quarter. Very nice performance. Sir, three things are still not clear with respect to the business model. One is can you take us through individual -- I'm not asking for names, don't give out names but can you categorize the various brands and the products that you have? And can you go a little bit more in detail as to which pockets are actually seeing more growth? Is there -- is this a very broad-based growth that you're seeing and likely to see going forward? Or are there particular products for example, is luggage doing much better than any other category or some such variation across brands and across categories and across price segments?

Second question was in terms of the margins, and in terms of the revenue growth in both these cases will be see going forward as the scale of the company goes up that we will see jump -- a quantum jump in one particular quarter, and you may consolidate at that level for the next two, three quarters. And then again, a step-up move, or it will be a smoother upward journey.

How should we understand the growth of the business going forward? Will it happen in like, very discrete jumps? Or will it be like a more secular growth trajectory? Those are the questions and how do the margins play out? How does for example operating leverage play out in the business?

Abhinav Kumar: Right. So, the second question, probably I would need a little more clarification. But first I'll answer your first question. So, the brands that we currently have today, so in the Travel Gear segment, the active brands today are Tommy Hilfiger. And the second is our own brand by the name Vertical, right.

In the Small Leather Goods segment, we just have one brand which is again Tommy Hilfiger. And in the women handbags, we have our own in-house brand by the name Sugarush. We used to have two or three other brands. We had AND, Global Desi and Travel Gear brand and a sports brand by the name HEAD, right? These three brands were there which post COVID during the last year, we sort of let go of those bands, but there is a period of sell off and everything. So currently also we would be holding certain stocks and we are in the process of selling out those stocks at a price probably a little lower than the regular prices, but that's the way we are structured today.

So if I talk about from a Brand share perspective, obviously, because the other brands are also on their way out, Tommy today has a much larger shape. So about 83%, 84% of the sales is from Tommy, about another 10% is now from our own brands, and the rest 6% is these brands, which are sort of going out. That's the fair sort of understanding or fair comparison.

Now, if I talk about within Tommy, if we talk about from a category perspective, right. So, if you see our SLG business has, we have been the number one brand in small leather goods across all formats, right, whether it is large format stores, or whether it is e-commerce, we have been one of the largest players in the Small Leather Goods segment, right. So our Small Leather Goods segment even in spite of being the Lion's share, or probably almost close to 40% of our sort of listing.

We've grown there also, but we would have so for example, quarter-on-quarter, we would have grown at say about 11.5%, right. But yes, the Travel Gear business now has started seeing because people are now willing to travel. Since now, people are willing to travel, the Travel Gear business has started seeing a very, very good growth over the previous quarter.

So we've registered almost 27% quarter-on-quarter growth, 27%, 28% quarter-on-quarter growth on our Travel Gear business. And I see this momentum continuing going forward, right, because if you'll see Travel Gear as a category is poised for a very, very good growth from a medium to long-term perspective in India. The travel requirements are increasing whether it is because of office travel, official travel, or whether it is personal travel requirements, right.

So, we see that, I particularly see that, we will still continue to have this kind of a growth momentum. And what is happening now in Travel Gear is that so, while small leather goods and these items were all always considered to be a fashion dominated items, right. So, it used to be a fashion dominated accessory, Travel Gear was never seen as a fashion dominated accessory, but the way I foresee that what happened with watches as an industry will happen to Travel Gear also going forward, because fashion from a country perspective, from the youth of the country perspective, the young population that our country has, fashion is something which is making inroads in leaps and bounds, right.

So, just to give you the analogy of why I spoke about what happened with the watches industry, if you will recall till late 90s watches was still timekeeping device, right? I give this example time and again to make people understand the power of fashion. So probably I'm repeating myself on that account, but till late 90s also watch was given by his father to his son and more often than not or 90% of them used to be an HMT Watch, right. And look at 10, 15 years later by 2010, watch was the fashion industry. Today people have more watches in their closet for various different occasions, right. And even a company like Titan has a very, very healthy licensing portfolio.

So Tommy Hilfiger watches, the license is with Titan, Titan has tied up with so many multiple fashion brands in various different price offerings to cater to the various requirements of the consumer. So, what I feel is the Travel Gear as a segment and suddenly without taking any names of the current brands, but to be honest there, those brands have behaved more as commodity, rather behaving as a brand and that is where we see that players like us or fashion brands entering this the Travel Gear space is this is going to give us a good momentum for the next, say three to five years.

Agastya Dave: Great, great. The second question was actually related to this, what I was trying to understand was the growth in the company, will it come in -- as you add more brands? Are you more dependent on adding new labels and new product lines for your growth or the individual categories will continue to grow, so you've kind of answered that in the first question. So, it's more looks like more secular in nature rather than.

Abhinav Kumar: It would be, but every brand that we add would for sure.

Agastya Dave: Add something more that is true, that is true, that is true, but the underlying business in the old categories in the old like established brands that will also continue to grow right, right. And can you just comment on the margin picture what we saw this quarter and what we have seen over the last two three quarters, we also know that inflationary pressures are there for everyone, right? And demand picture is also not very crystal clear. So, how do you see everything panning out in a steady state, because on one hand, you are now getting into a particular situation where your size is also increasing, individual category sizes are increasing and there will be inflection points where you see good margin levers in particular individual categories and also for the company as a whole. So, how do you see the margins playing out?

Abhinav Kumar: See in terms of, you're absolutely right, when you say that we have inflationary pressure. And I think it's an industry wide phenomenon and not only in our industry probably every industry, right.

Agastya Dave: Right.

Abhinav Kumar: So, and coupled with it, since India is still not that adept in terms of Travel Gear manufacturing, the dollar also is not helping, right. But in our case, we have one advantage that we don't play in the mass segment. The premium segment, it is a little better, it is a little more I wouldn't say it is very easy, but compared to the mass segment, it is a little relatively easier to pass on that price to the consumer, right. Our consumers are not so affected by the inflationary pressures, right. All the SSC A Plus segment. So and as a brand Tommy Hilfiger, you see, it still maintains, its aspiration levels are very high.

So, we have seen and hence I told you that in my initial opening speech itself, I said that we have been able to see a higher ASP growth right. During the month of May, if I may have gotten to that on our SLG business, on our small leather goods business in the entire large formats, probably we were the only brand, which was at a 0% discount. We were virtually on non-discount, right. And still we saw a very, very healthy growth in our like-to-like stores as well, right. So, which proves that the power of the brand is such that it should be able to negate certain inflationary pressures for us.

Agastya Dave: Right, right. Sir this quarter is a good representation then 50, roughly 50% margins, gross margins. This should be normalized level of margins, right?

Abhinav Kumar: Yes, now going forward, Agastya what will happen is that when we look at adding more brands to our portfolio, they will be all strategic decisions, right. So we might be adding brands, which are lower priced, which gives us a better headwind or a better footing in the price conscious market, right, where if I talk about primarily from the Travel Gear perspective, that's where the whole heat is, right. That's where the sort of mass consumption happens. So, we might be looking at adding brands now, which are which gives us the handle to pitch it probably against a more popular brand in India today, right?

We are right now to be high priced from those popular brands, and hence it's a different market segment. But tomorrow, we might be entering that market segment with again, a very strong brand offering and play at that price. Now, once that happens with these inflation pressures and all, yes, with those brands coming in we sure look at that the margin intake will not be as good as these premium brands that we are selling, one that we're selling, but overall, the size should also increase.

So, net-net I think overall it should be maintained or probably one bps up and down should be the outlook is what we're looking at.

Agastya Dave: Got it. Thank you so much for answering the questions in such great detail. All the best sir. Thank you and congratulations, also. Thank you.

Abhinav Kumar: Thank you.

Moderator: Thanks. Anybody else who wishes to ask a question you have the option of raise hand or else you may unmute and ask your question. Yeah, Raj, you can go ahead please.

Raj: Firstly, congratulations on the quarterly results, great results.

Abhinav Kumar: Thanks, Raj.

Raj: Yeah. So my first question would be, how are you de-risking the business? And what are your plans to bring in more brands?

Abhinav Kumar: So as I shared that, we are actively in discussions with a couple of brands. It just that our brands selection, it just that our brand selecting criteria is a little. We made a stringent criteria to select a brand and hence generally, closing on such big brands takes a little bit of extra time. But we are quite hopeful that this year we should be able to sign another big brand in our portfolio. And in terms of again, price segmentation, this brand would come in below the price point of Tommy Hilfiger. So where today if you look at Tommy is we play between VIP and a Samsonite, if I talk about Travel Gear.

So we play between Samsonite and a VIP. So we are about 15%, 20%, 15% lower than Samsonite. But we are at least 30% above VIP and a 25%, 30%, 40% actually and sometimes above VIP. So and we don't intend to bring the pricing strategy of Tommy down. And hence the right way to play is that we get a very strong, equally strong brand in the price segment where we can play, pitch it on little closer to the price point of VIP or an American Tourister. That's the kind of strategy. So, once we see all those brands coming in, in the next three years, I believe that there should be a very, very healthy contribution from the new brands also that we're looking at signing.

And that in itself should de-risk the business to a large extent. That's one. Number two is, we are also working on building our own store chain network. And in terms of Bagline, we currently have about 16 Bagline stores across the country and which are touchwood performing very, very good for us. So slowly and steadily, we are establishing our own identity.

And in fact, there we have the first mover advantage. We would be the first multi-brand specialty bag store in the country, right. So, where we can house more than one brand in our store. So that again, somewhere de-risks, de-leverages our -- leverages our network and the infrastructure, but de-risks the overall business. So, I hope I could able to answer your question, Raj.

Raj: Yes, I got my answer. Thank you. And I have one more question. So are you looking at any geographies beyond India? And what could be your strategy on that front like will you -- will your existing or new brands be the driver for export or export sales or will it be or in-house brands?

Abhinav Kumar: Right. So actually, that's a very good question. You got me there. So yes, see there are both the things. One is, I think India in itself has the opportunity today where I don't see any rhyme or reason why we can't grow at a 30% plus CAGR for the next three years, five years, right? So that kind of a growth in itself is possible in India without having to move here and there. But at the same time, by now, we've created a very, very good engine where we understand a brand's handwriting, right? So, right, from design, development, to getting that brand manufactured. So, we've sort of built a very healthy engine when it comes to licensing of these accessory bags as a category, right?

And if I talk about, if I look at the overall world scenario, U.S. is very big on licensing, right? So there are billion dollars as in $4 billion companies, which are built over licensing, right? Europe, again, has a lot of these big giants, which are into licensing and who built a very, very big business of keeping all these brands and moving into various different categories and all of them.

But the moment I look at MENA or this Asian region, there's hardly any licensing sort of player, right. So that is where Brand Concepts gets, but we are at a unique platform where it's not only India, but so for example, Middle East, your -- the African belt, the Asian, the Pan, the South Asia as a market. There's no -- we get a sort of a first mover advantage if I can say that, right?

So we are looking at leveraging that. So probably in so, for example, for Tommy, we don't have rights for international sales as of now, but with a few new brands, we would be pitching in for extension to a couple of other countries as well. But to be honest, I can't comment right now, whether we would get that license or not, right? So it's only time which will tell us. But yes, when we are making a pitch, we make sure that we make a strong pitch, we have our partners in line, who can take us to distribution for the entire Middle East. So all those talks are on, but I can't say it with conviction. So it's like, if it's not signed, it's not signed, right. If we sign it, we will definitely announce it.

Raj: Okay, I got it. Okay, thank you so much, Abhinav.

Abhinav Kumar: Okay.

Moderator: Thanks Raj. Before we go to the next participant there is a question in the chat. Can you please talk about working capital across all the formats of distribution?

Abhinav Kumar: Okay, working capital across all formats of distribution?

Moderator: Basically, your receivables and your inventories? And how do you manage all of that?

Abhinav Kumar: Okay. So I think the -- see I wouldn't know the exact percentages of inventory holding against the thing because, broadly, our inventory is divided between two aspects. One is there's certain inventory, which it's a different line, which goes to the e-commerce, so there is a separate e-commerce line. So we hold inventories separately for certain styles, which are e-commerce specific, and then the rest is all offline. So and the idea is that we don't hold inventories exactly according to the channel wise, because then, optimizing inventories doesn't happen.

So hence from an inventory perspective, we have offline and online, these two segregations, and through that, we still keep it fluid so that we don't ever have a bad inventory situation happening in either of the places, right. So that's from the inventory perspective channel wise. If you look at from a debtor perspective or debtor wise perspective, large format stores have a little higher debtor cycle then followed by your -- I think rest all debtors are pretty much in line, our debtor days range from a contractual perspective if you will see, it ranges from 45 to 60 days with most of the cases, except for the large formats of course, where it is much higher debtor day.

But considering the transit time, considering the deliveries and everything from the date of the invoice, our debtor days are almost about less than 70 days with all the other channels 70-75 days with all the other channels with large formats obviously tends to go a little higher. And hence, we are roughly about 90 to 95 -- 90 to 100 days. Why you see a little higher debtor days in terms of the balance sheet or in terms of our results is because debtors are always calculated including GST and your turnover is always calculated removing the GST. And in our case, the GST is about 18%. So, it inflates the debtors by 18% over the -- this thing.

In terms of our working capital management cycle in terms of various channels, of course, online or digital is one of the most efficient where our working capital cycle is very, very healthy. It's roughly around -- somewhere around 100 days, or little less than that. So, under 100 days is the overall working capital cycle.

For DND also, in fact, we introduced a concept of regional stockiest, a master distributor. So, through that we've been able to manage our cash flows much better. And hence, if you will see, we've been cashflow positive for the past three years even during COVID, while we declared losses, but we were healthily cashflow positive, and we continue to be so. So that is because of effective working capital cycle management.

So even our distribution business, which typically in most of the companies have a very, very high working capital cycle. Our working capital cycle is about 90 days. So we do about four rotations of a day. Large format is the only one which is an aberration, which we all understand that, so while one of the major channels for us is on outright, one channel continues to be on SOR enhance. From a debtor perspective, it looks a little higher on the board. So that's where some better management still has to come, there is a lot of scope of improvement over there.

But rest all I think our company owned stores obviously will have because all your sales is in cash. So obviously, that's far better. Even our franchise stores, for that matter. There the overall working capital cycle would be between about 120-130 days. So that's where overall it is. Overall, I think our overall working capital cycle is somewhere around 120 days odd, so we're able to do sort of a rotation of three approximately, which is we keep internally also, if we compare it to any other of our peer group or competitors, I think we have a much better -- much healthy working capital cycle days than a lot of competitors. I hope I've been able to answer this question.

Moderator: Right. Thanks, Abhinav. We'll take the next question from Yogesh. Yogesh you can unmute and ask your questions.

Yogesh: Can you hear me?

Abhinav Kumar: Yes, we can.

Yogesh: Actually, I just started following this company which means the questions are repetitive in nature. First thing I wanted to know of the total stores that we have, how much are company owned and company operated as of now?

Abhinav Kumar: So, about nine stores are company owned, company operated.

Yogesh: And how much are FOFO?

Abhinav Kumar: 16 stores are FOFO.

Yogesh: Okay. So, out of the total sales, I see 5% sales is coming from our own brands, or sorry it is coming from the license -- the LFS.

Abhinav Kumar: Yes.

Yogesh: And 5% is coming from LRFS?

Abhinav Kumar: Right.

Yogesh: So, is it fair to assume that our own branded sales is 5% of the total sales? Not except for Tommy I'm saying, your Sugarush and brand Vertical.

Abhinav Kumar: Okay, I didn't get you here. You said the LFS is 17.7% for this quarter if you're talking about and the LRFS is about 12.2%.

Yogesh: Okay. So, I wanted to know what is our own branded sales from Sugarush and Vertical?

Abhinav Kumar: About 10%.

Yogesh: About 10% is that?

Abhinav Kumar: Yes.

Yogesh: I think that is basically the company owned, company operated and franchise owned, franchise operated?

Abhinav Kumar: No, no, no. So sorry, there's a little bit of a confusion over here. See, LFS basically means large format stores. So, you're like Shoppers Stop, Lifestyle, Central, or Kapsons all these big department store chains, right, where we supply our brands. And LRFS is basically licensor flagship stores, right. So licensors flagship stores, for example Tommy Hilfiger has its own stores, right? So they have about 100 stores across the country. Now, these stores also sell our products. So the Tommy India team, as in the company, they buy from us, and they sell it in their own stores, right. So that's the brand's flagship stores, right. So tomorrow, if we -- so when we had AND and Global Desi for example. Again, AND and GD has about more than 200 stores across the country.

So, the bags that they were selling, it was the bags that was being supplied through Brand Concepts, right. So that capturing is of those sales, right. This is just a channel wise breakup. When it comes to brand wise breakup, or brand breakup, I had mentioned that our own brands, Vertical and Sugarush are contributing almost to about 10% of the sales. So, for this first quarter, that sales have been about INR 3.24 crores, right. And where we've been selling all these is, obviously some in distribution, some in our own store, so Sugarush, handbag for example, is seeing a positive result in our own stores.

And plus, we are also present across multiple digital platforms. So we are present across Amazon, Flipkart, Myntra, all these places we sell over there. And on top of it, we are able to garner some sort of corporate sales inquiries, institutional business, where we do it in our own brand. So overall, net-net our own brands are about 10%. So that's not reflective up in the sheet. The sheet is the channel.

Yogesh: So, in COCO and FOFO stores, you sell all brands, basically, you can sell Tommy also and you can sell your Sugarush also or you can sell Vertical also?

Abhinav Kumar: Yes. And whatever brands that we add, will go again go into all these stores.

Yogesh: Okay. Okay. And what is the sales mix for HEAD or it's too nascent right now, because I see somebody written HEAD also as a part of our brand portfolio.

Abhinav Kumar: Yeah, it used to be -- maybe that's in fact. And I think I mentioned this, in my initial listing that there were three brands that we have let go of HEAD, AND, and Global Desi, these are the three brands that post pandemic last year we've let go of these brands. However, since our contracts with Logger and there's certain stocks which are still there. We continue to sort of sell those talks, but going forward, the new season planning and everything we've stopped in these brands.

Yogesh: So any specific reason what went wrong or why you guys decided to go back?

Abhinav Kumar: Yes. So we've had our learnings and hence I was mentioning that we've made our brand selection criteria even more stringent. So if I talk about individual brands, for example, with HEAD the aim was that if we can look at the sports brand sort of flavor, which if you see in India, still brands like Nike, Adidas, all these are dominating. And they are a cult. So there is a huge section of population, which loves these sports brands, and hence, we had sort of taken a bet on HEAD that in terms of the Travel Gear, in terms of backpacks, in terms of all of this. We might have sports meets fashion kind of a segment, which we'll be able to try.

But the popularity of HEAD in India was very, very limited. So, it's a very niche brand still, and doesn't have widespread presence in India, doesn't have any, there's no store of HEAD in India. So since the brand, the parent itself is not that widely present in India, hence we had a tough time in sort of making people educated about HEAD and one model of, one beauty of licensing, being in licensing is that, see I'm not here to build these brands. I'm here to sort of ride on their popularity, right?

That's the reason, I'm paying them a royalty. So if a brand doesn't do well, I might as well come out of the contract and move on to another brand. That's the beauty of the speed. Unlike, when you start investing heavily on your own brand, even if you're bleeding, you will continue to bleed. Over here, it's not like that. If it is not working, we'll come out of the contract and then global. So, one learning that we got from HEAD was that, if you're signing an international brand, it needs to have some sort of presence in India right, it needs to be. We don't want to build that presence in India, it already needs to have a presence and only then we will take that brand.

Coming onto AND and Global Desi what we realized is that, while they're both beautiful brands and they continue to be one of my very, very good friends, very good relations with them still. But sadly the problem was that, it was a category construct problem. So AND and Global Desi both if you see they are Indian wear kurti brands, right and handbag is mostly a western wear, Western, right, it's a Western handbag. You sell those Indian handbags in volumes, potli bags and clutches and all that matches with Indian sarees but the bulk of the sale is of Eastern Western silhouettes.

So, there we felt that there was a brand misfit, an Indian wear an ethnic brand selling western bags, so while we were getting a very, very good response in their own stores. So in LRFS, in AND and Global Desi store, we were getting a very, very good response. But outside that the response was a little timid. So, hence we decided to hang our boots on that. And another lesson learned that going forward, don't sign in new brands, right.

Yogesh: Okay.

Abhinav Kumar: Right.

Abhinav Kumar: So I hope, I've answered your question.

Yogesh: And I have one more thing. So VIP used to manage imports from China a lot of pre-pandemic. I think 40% probably used to import from China. And post pandemic they have increased their capacity and they are importing around 10% from China. So, do you see a lot of market share gained by the players like VIP or Tommy or Safari, the Chinese brands which are selling in India, a lot of market share gain, or you think the price points were totally different. So that is not getting affected with that?

Abhinav Kumar: See for us, these Chinese brands or local imports or whatever doesn't affect us, because currently that's not our market segment where we operate in, right. So we operate in the branded segments, so I don't see that much as a challenge. In fact, there I would say that be it Safari or sky bags with Safari, sky bags or American Tourister, or Kamiliant with all these brands, what these players have started doing actually, which is very good for the industry is that they are converting the bottom of the pyramid, they are converting that from on non-branded to a branded segment, right.

So, at least that churn is happening and happening very, very steadily. And that's music to our ears, to a player like us, which operates in the premium segment, because once you come into a branded segment, it's just a value chain which keeps going up right rather than coming down anytime soon. And as I keep saying, fashion is a one-way street, so if today you're wearing a Peter England, tomorrow you move from a Peter England to an Allen Solly, from an Allen Solly to a Louis Philippe, from Louie Philippe to a Tommy, until/unless you've really done bad in your life, you will never go back to a Peter England, right. So, it's a one-way street, you keep going up the value chain. So, the more people who come into this branded portfolio, the better it is for players like us who operate in the Premium category, because these guys will keep coming up as the economy keeps growing.

In terms of import, yes, we also were very, very heavily in fact, pre-COVID, we were almost 100% import when it came to our Travel Gear business. Thankfully, our Small Leather Goods business, it was always India and hence we do not see that much effect happening on the Small Leather Goods business. We were able to garner all the quantities back, we were able to work with our suppliers very, very closely and get the supply chain sorted post-pandemic, when we had to hold on to the orders, we were able to do that much better, because it was all Indian suppliers and you've been working with these suppliers for a pretty long time. So, from a Small Leather Goods perspective, so, hence, one huge chunk of our business was always from India, which was a boon for us.

Now, thankfully, before COVID itself, we had started working with certain Indian suppliers in terms of our Travel Gear and we work very, very closely with them, obviously, when it comes to the quality standards and our products are obviously more led by design right in terms of feature, so, it takes a little, India is still not that good in terms of manufacturing, when it comes to manufacturing of Travel Gear.

But the process started thankfully before COVID itself and now I can say that, we are getting quite better in terms of our manufacturing capabilities in India and going forward, I see that it will our dependence on China will reduce significantly once all these suppliers are up and running completely for us.

Yogesh: And another thing, do you plan to set up a manufacturing plant or stitching line or something like that?

Abhinav Kumar: See, as I said, Travel Gear, from Travel Gear perspective, if you look at all our peer group also, VIP has its own complete manufacturing base and now in fact, for the backpacks and stuff like that, they're all 100%, almost 100% internal right, self-reliant. Even Safari has been investing pretty heavily in terms of their own manufacturing facilities. So and thankfully our quantities also now are such that, it makes sense to have your own sort of manufacturing setup.

But having said that, I have always firmly believed that manufacturing is a different ballgame altogether. And hence we're looking at whether it is, if I start, if I look at to set up something from scratch today, I think will take a lot of time, so we are exploring all the options whether it is organic or whether it is inorganic or whether we can just probably take our unit, right where everything is a lot smoother. The learning experience, we don't have to sort of burn or bleed to get that experience.

So, exploring all sorts of opportunities, and we shall keep all our minority shareholders also abreast on whatever developments happen in from that regard. But yes, in the Travel Gear segment, from all the mathematics and everything that we've done, it looks feasible that we might have some sort of in-house base.

Yogesh: I think I'll come back. Thank you. I think I'll come back. This should be good for now.

Abhinav Kumar: All right. Thanks, Yogesh.

Yogesh: Thank you.

Moderator: Anybody else would like to ask a question, we have one question in the chat again, how many EVUs are you planning to open in the current year, own plus Tommy?

Abhinav Kumar: Sorry, how many, I didn't hear?

Moderator: How many EVUs are you planning to open in the current year, own plus Tommy as in Bagline and Tommy?

Abhinav Kumar: See this year, now from here till March, we're looking at opening another say about five to six new stores, which should take these stores count, which should take these store count to about 30, 32 stores by the end of this year. And we look at primarily opening so, if it is a strategic location or something, we might open one Tommy Travel Gear store, but bulk of it is going to be Bagline.

So, the focus is more on opening Bagline stores. So that tomorrow, if we have new brands or further bands, we are able to include those brands in our stores.

Vinay Pandit: Sure. Abhinav, since there are no further questions, would you like to give a closing comment before we end this call?

Abhinav Kumar: Yes, so thanks a ton guys. And I think we're poised for a very, very good journey going ahead. I would just like to add one more aspect to this entire thing. I think, as a company, we are just at that influx point where the entire engine and everything is set is ready, the infrastructure is ready. And at the moment, we have a couple of more brands, which gives us a more inclusive play, which gives us the play of certain price points also, I think that's when the whole, this whole this thing will sort of will come together, right? So and we're very, very -- I'm very, very thankful to all our minority investors, all our investors, who have shown faith and believed in us, and we will continue to grow strong.

So needless to say, we are now on the runway and we'll ask everyone to buckle up your seats and sit back, enjoy -- sit back, relax, and enjoy the flight.

Vinay Pandit: With a Tommy Hilfiger suitcase, yeah?

Abhinav Kumar: Of course.

Vinay Pandit: Thank you so much, Abhinav. And thank you all participants for removing your time for this call. And look forward to catching up with you all in the next quarter. Thank you so much, and thanks to the management for this call.

Abhinav Kumar: Thank you, thank you Vinay.