

INVESTOR MEET:
KYC 2024 (Know Your Company) Organised by Tattvam निवेश

VIDEO RECORDING OF THE PRESENTATION:

https://drive.google.com/file/d/1e04mpGJg2FWYGrxv1R3EUCG_KpiqghfC/view?usp=sharing

TRANSCRIPT:

A Good Afternoon everyone. I am Vedant Bang, Managing Director of Thomas Scott India Limited. Since we are a listed company in NSE and BSE statutory compliances and hence this disclaimer that I must present to you. So I am here so that you can know my company so I will a bit talk about my company and a bit talk about myself about what we do our business model, what are friends are there we are at today and financial snapshot about our journey till now. So if someone has asked me this question in 2022, I would have answered this question as Thomas Scott India Limited is an apparel manufacturer with one factory in Solapur and corporate office in Bombay in Lower Parel because there was where our company was one side joint venture into we have taken up a new challenge and embarked on a new journey, where we have moved from traditional apparel manufacturing to tech-enabled online Fashion retailer where we not only sell our own market key brand Thomas Scott but we also sell a number of brands in a licence model and you also expanded our B2B portfolio overall two things that really set us apart or other one of the two ways, I like to say where you know a bit about our strength as well as the first thing is obviously that we are truly direct to customers with a lot of brands available themselves as due to see but they end up buying their products manufacturer of packers in this case the What is actually moving from factory to customer no one in the middle of that is, you know the entire but rather that gets created by our own warehousing as well as we use our network of warehouses to do this fulfilment activities online along with that and that it largely comes from my experience, which I will speak to you about in a moment.

We have a very strong centralised back-end to support multiple front ends core managing things which is very data-oriented and structured analytics oriented. We have embedded Data Analytics in every phase of e-commerce B-ed operations B-ed identification of products and to understand that it will also be important to understand what my background is in where I come from. So prior to COVID I was with Deloitte for what about six and a half years and I am a fellow actuary as well as one of the qualifications that is missed out. I am a qualified actuary and I come from that kind of data science background. I have worked for six and a half years for banks, primarily investment banks in Europe and UK doing consumer behaviour modelling for these banks or lender borrowing, out lenders and borrowing models for these banks. I have

also worked extensively in valuation in structured products side. So I used to crunch data in and out create automation channels workflows and worked as a consultant across the globe before that. When COVID hit and everything went to work from home. I started working out of our family office, which is my family business Thomas Scott India Limited, which was back then and apparel manufacturing company based out of Solapur as I had mentioned along with the corporate office in Lower Parel and that's when I realised that online has really taken of consumer confidence in online shopping has sold over night with COVID being one of the forces to this transition. Yeah with COVID, being one of the forces to this transition and obviously that the opportunity was there while I was there are so surgeon orders of Minecraft, Amazon, Flipkart coming to us and that made me realise that this is where I want to be in there is a lot of value that I can add now because this is a highly data-oriented and it requires at and orientation as well.

I just talked about our business model now. So we have a central backend, which has been developed by us which takes care of all the activities that are involved in online E-commerce bit operations logistics fulfilments, creative catalogue design, online brand management finance control, merchandising, everything happens in automated workflows at the backend lives centralised backend things that's start on office in Lower Parel and can do managing various aspects the central backend team has multiple front end brands or two of them being their own brands "**Thomas Scott**" and "**Hammersmith**". We have a couple of popular brands that we work with in the gulf market. There is a Marketplace for announcing the i.e., the Myntra Namshi Brands is the largest fashion market place in India. The Myntra equivalent of that for the golfers Namshi and we have two of their brand "75" and "Robert Wood" today as well. Our known brand Thomas Scott is also live on Namshi along with that. It's have one of the major market place in the gulf. We have licence model in which we do The Roaster and Harbour HRX is a brand of the ones that you can see that we have licences of that we sell online. We also worked extensively with Amazon that mostly on B2B basis for their home and away and obviously we have from our historical apparel manufacturing competition is B2B customers who are continuing right now, but the share has changed quite a bit. So before I joined it was at 0% on B2C and 100% on B2B. In transition 30-70 B2C was 30 and B2B was 70. Today at the trailing twelve months' level, we are at a 70-30 or 75-28 kind of mix rather in terms of B2C contribution was B2B contribution and that kind of reflection an overall margins work in working capital usage and all those key matrixes as well. Now, what do we sell and you know, what are the areas that we plan into we are primarily focus on menswear so you can find that we do most common menswear articles like shirts, trousers, jeans, shorts, T-shirts, blazers. In women's we not for ready as much, reason being that customer returns is higher in the men's wear as a category as a whole line customers returns and gross margins are also lesser so automatic is a unit economics somewhere do not fit in for us yet and hence one area that we have not entered into but there is one area in women's wear that we do see the opportunity and we entered into which is the women's handbag. Now for us the key attribute that is running for us that we have a centralised mechanism to manage this and I will talk about our strengths where any particular article brand combination can work together to scale and to create those efficiencies. I will just talk about some key strengths now.

So when I talk, when I think about its key strengths, there are two areas that I looked at the First Area is our Superior Use of Data Analytics and Automation and the second area is manufacturing expertise and cost efficiencies that we create.

So the first area is having to be the use of data and analytics be so think about this every month, we launched about 200 to 300 unique products each of these products are decided by us by scraping from multiple pages keywords across the internet finding the right gaps where the supply demand gaps are so, On day one itself I understood that online e-commerce is actually perfect competition within hundreds of suppliers and hundreds of buyers bidding the demand and supply at the same time. So we can identify micro markets within these areas. For example, while a white shirt for men's, white shirt would be flattered micro market because I would be a lot of supply and there would be a lot of demand at the same time so that would not be an area that you would enter into immediately because then you will enter a dice competition, there is other products for example of Men's cargo which just started trending over the last couple of months. Where is the huge supply demand so like this, we identify the micro markets where the supply demand gaps are on the basis of the data that we scrapped across marketplaces and then based on that we preferred the product that we launched so that the 200-300 products of that the positions that we take in a month or products is decided on the basis of what the customer demands already are. So when you think of a brand of fashion brands in general, you'd imagine that it would be a designer led brand where designer comes off the innovative designs and the kind of trying create something and create some trends out there we are not that brand all right. We're not trying to knock off ZARA and H&M like most fashion brands today in India are trying to do. What we are trying to really do is identify, what does micro market is? Whether that is a supply demand gap in plane to it using or a manufacturing strength. The other thing is that for every question, we use a lot of analytics from early days and we started working with the Amazon we realise that delivery times are very critical. So we do for distribution of our inventory. We have a row houses in Gurgaon, Bangalore, Bhiwandi as well as in Calcutta. So North-South-East-West distribution is one the key Matrix that we track very closely to stood for the delivery. We try to make sure that the 30% of our customers get the product within 2 days and so that the customer returns cancellations are lower and the overall customer experience is also enhanced alright.

Lot of these questions about what inventory to make? Where to stock it? And at What season went to stock? Those questions are answered using analytics. For example, if there is Durga Puja around the corner, my models would tell me to place more of the goods in Kolkata region. So every single question that we try to answer is driven by someone to analytics is also include very common questions like what sizes to cut how much how much we don't need to produce much. What Size is to be cut, how large I need to cut or Do I need to produce a small produce all those things.

The third area that we use is the data and analytics and automation is where our processes and workflows and monitoring is continuously happening in automated manual because it is closet to e-commerce, everything is functioned online, everything happens in shipping label generator online. So I immediately get a WhatsApp from a tool that have you know, this orders

have not been dispatched, this beach is happening on this particular problem at the warehouse that happens on a continuous basis for us. So are monitoring is very effective and continuously trying to attract these things and all over floors are also highly automated.

So that what is the first part where some of the strength that I bring to the company but there are some inherent strength in the company which allowed us to also scaled us at the same time which is our manufacturing expertise and cost efficiencies not typically when a Myntra or any other buyer goes into the market to place an order there is an MOQ problem that they face or they have to place orders for at least 350-400 units of a particular style and then make that product live and then take an pointer or position on that and then see how that Style is actually develops right in our case we are able to do it at 120 unit cells so our investment in inventory itself is 1/4 to make a product life, which means that we product on increase we focus on increasing the product width and maintaining optimal depth for investment in inventory or any particular style is not very high but we have so many options that are conversion of any of these into Hero products turns out to be much higher. The other thing is obviously if you are doing online your quality and fits up to be good or else will get a lot of customer returns thankfully because of a decade-long manufacturing expertise at its a certified facility. We have been audited by Walmart by Flipkart by some of the best brands globally so automatically what that means is that our manufacturing is very strong. Our quality stitching is very strong so you will never find the complaint because of that were not any one of the main job work that you would find right we are organised player with an organised production planning and manufacturing sector. What is also means is that we work with the number of fits continuously, and we also have an in-house team and where technician team actually identify what kind of fits are working and what kind of fits are not into the customer returns of your we continuously Optimizer fits to make sure that the customer returns are minimised and obviously since we are truly D2C there is cost efficiency that there is some of the margin that any other players would have to sell out to a third party manufacturing that does not happen in our case those margins are protected with that makes us more defensive as well. So these are the key strengths that we have as we play around here about your where we use our superior Data Analytics which comes largely from what we have built over the last couple of years coupled with and Legacy old manufacturing setup truly create the magic that is required to run this business profitable. so if you look at our current presence before the company moved into this particular direction you find any two dots on this map one would be Solapur which is South of Maharashtra then one in Bombay out there today We are Pan India across the board as I told you we keep inventory very close to the customer we deliver very faster to customer and also expanded from only manufacturing of shirt in Solapur facility currently manufactures both shirts and bottoms erstwhile we were manufacturing shirts to bottom wear as well to a women's handbags as well. And the reason why we have to in source a lot of production one thing that you must understand that the Asset turnover is quite good in this industry in the not too much capital is actually required to run this line and capitals of factories are also available. Are you can I take the entire factory on rent? So what we ended up doing this that we stated doing an sourcing so that we can run the sampling line is that I told you as you minimise the overall product depth and Focus on the fit that we provide right? So we win

so some of it some of its capital factories, but yes you move from shirts manufacturer Solapur into shirts, trousers, jeans and women handbag and we also do blazers now in some of our lines. So these are some of the product assortment that have created over a period of time and this is where we got it because of this I just so quick financial snapshot, so in FY 22 when I joined We were at 32.5 crore revenue and in FY 23 we were at 62.8 crore and now within nine months is actually already crossed it and this year we'll obviously surpass FY 23 estimates as well. This has been coupled with improving margins overall and the fundamental reason for this is that we moved away from B2B to B2C, and even within B2C. Now, we are working on what are efforts are working is towards premiumization working with More premium brands licences of More premium brands and thereby create greater margins overall and obviously with scale comes the economies of scale as well, which is happening in terms of our fulfilment in our costs and other and Logistic cost or commission that we shell out to the Marketplace also coming down as we are starting to scale. So we are looking at growth by looking at aggressive growth and at the same time looking at margin improvement coupled with it and of course, as the Business from B2B to B2C the capital investment of the working capital requirement moves from credit to inventory and because of a superior management of inventory. We believe that we will be able to hit the sweet spot in terms of working capital requirements as well. So this is a gist on my company on me our business model our presence our strengths and some of the financial snapshots.

We would be happy to take any question from now.

Question: Can u please show light on the tax applicability?

Sure, so we were already actually built a set of back-end workflows or Technologies which was built from FY 22 itself. We are formalizing them now for internal consumption only at the moment I can say our tech is divided into three parts on this product identification of GAP identification, where actually identify what the supply demand gaps are, the second is using analytics in answering questions related to e-commerce where to stock how much to stock when to stock, managing the seasonality of things which season to stock how much to stock a which ratios to cut the sizes in stock and equations lot of questions are answered on the basis of actual consumer demands and the third parties of this automated workflow that we created that saved be used for Sourcing and merchandising when everything is tracked in for order fulfilment. Everything is Online completely when you get triggers and notifications immediately in terms of what but this is all internal consumption what we have built a distributed system with your formalizing right. Now.

Question: My question was regarding the applicability of tax, income tax?

Sorry I heard tech, we have accumulated losses so we were listed in 2013 and then there are accumulated losses because of which income tax is not an applicable so far, but it would start getting applicable from the coming your once, you know we started dating profit for the coming year. Another question is can you please share what has been the biggest to product winners for you in the last year or two based on return. Biggest two products so one of the

biggest gaps that I mentioned as well was 4 pocket cargo as a product that we identify trouser as a segment overall does not have as many Suppliers as the demand is an overall its trends that is that where people are moving from jeans to wearing Chinos and pants largely we're going back to office that was one of particular product area trousers. You can say with cargos being the specialised a product that was a winner for us the other gap that we walked on was Blazers so I'm not spoken much about it, but it is one of the most profitable categories in upcoming categories with the wedding season and everything. We found a lot of online shopping happening for blazers people actually buying blazers and then goes to wedding now and the ticket size for Blazers are very high it starts from 2999 goes high for 4599 with a much higher than a what we sell our other products at and for online with no other overheads for me you know it stand for great margin multiply, and what is it that differentiate from competitors mainly in terms of technology to the bigger players have not similar tech applications. So with bigger players there are two fundamental difference. This one is most players across the country are used to season planning format. So you may have heard in a fashion that is a summer season autumn winter season so they plan inventory for an entire season all at once in place orders all at once for the entire season, write the design team that work 6 months in advance toward its and then whether those Bet work or not to work as the season expands and then the next season the problem that liquid it is how the traditional way of retail has been going on in our case we are able to do. We do small launches, we do few drops, basically every months 3 launch product based on what the supply demand gaps are and then we analyse and see which one of them are actually working while having been accepted by the customer and then we scale those products are so that we are more agile we do not require too much inventory investment to get there with something that we are able to do as compared to some of the biggest players in the figure the system in which we can keep doing this at the scale something that's say globalisation us for example in fast fashion so this is one of the critical areas where we are differentiated from some of the bigger players and what we created is obviously proprietary Internal so I'm not really, I never worked at Myntra, I never worked at flip kart so I don't know what there tools are. I know what is right for me and my business and I have developed as per that.

Question: Broadly what will be roughly the figure where you liquidate?

So typically we hold inventory for 180 days we try sell it over 180 days. Most of our inventory get sold out within 180 days' cycle only, 10% that is left in our liquidation team that removes all brand markers and mutilates the brand markers and then they sell it in secondary channels. So there is a team that that manage it very actively. So 180 to 240 where we liquidated but 180 is the far end and not all of my products actually work on it most of the products get sold off much before that typically we are holding inventory for not more than 110-110 days.

Thank you.