



Forcas Studio
LIMITED

FTX

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CIN: L14101WB2024PLC267500

June 16, 2025

Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Bandra Kurla Complex,
Mumbai-4000051

Symbol: **FORCAS**

Sub: **Transcript of Investor/ Analysts Conference Call for the half and financial year ended March 31, 2025.**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, copy of transcript of the Investor/ Analysts conference call held on Thursday, June 12, 2025 on the audited financial results and operations of the Company for the half and financial year ended March 31, 2025, is enclosed. In this regard, a transcript of the aforesaid Earnings Call is attached herewith.

Further, the said transcript shall also be available on the website of the Company.

Thanking You

Yours Faithfully
For Forcas Studio Limited

SAILESH
AGARWAL

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AGARWAL
Date: 2025.06.16 18:20:40 +05'30'

Sailesh Agarwal
Managing Director
DIN: 02856973



Forcas Studio

L I M I T E D

FORCAS STUDIO LIMITED

H2 & FY25

POST EARNINGS CONFERENCE CALL

June 12, 2025

Management Team

Mr. Sailesh Agarwal - Managing Director

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit:

Ladies and gentlemen, I welcome you all to the H2 and FY'25 Post Earnings Conference Call of Forcas Studio Limited. Today on the call from the management, we have with us Mr. Sailesh Agarwal, Managing Director.

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

I would now request the management to run us through the investor presentation along with business and performance highlights for the year ended 31st March, 2025 post which we will open the floor for Q&A. Over to you, Sailesh.

Sailesh Agarwal:

Hello. Good morning, everyone. Thank you for joining us today for our earnings call. I'm excited to share our progress and achievements over the past year as well as our strategic vision for the future. I'm pleased to announce that Forcas Studio has witnessed significant revenue growth throughout the year.

So, we will start with our presentation, first our presentation deck. So, we are an apparel brand, especially for the masses. The brand, the range, the line is all targeted toward the masses, the Tier 2, Tier 3 cities of our country.

So, we are a company with 14 plus years of experience. We specialise in men's wear category. We have our business both offline and online. We have distributors cum wholesalers in our Offline segment across eight to nine states, we serve to almost 15,000 plus retailers. Online, we are present in 10 plus marketplaces. All the leading ones such as Myntra, Flipkart, SolV, Snapdeal, JioMart, Amazon, Ajio.

We have a huge men's wear line, which is live. We have 1,600 plus SKUs. We are present in 500 plus large format stores as well. And we are glad that we have successfully served over three million customers, till March.

Next slide. So, the management team comprises of me and my brother. I am the CEO and Managing Director. My brother, Sourav is the CFO and Whole-Time Director of the company. So, this is our journey in brief. We started in 2010 as a white label manufacturer for all the large format stores in the country. We have been dealing with

everyone right from the DMart's, the Reliance, the Vishal Mega Mart, the Westside, Pantaloons.

From there, 2015, we were recognised for our services to all these corporates. Forward to 2021, we started with our online marketplace sales. We basically are a marketplace player. We don't sell through our own website. We do 100% of our e-commerce business through marketplaces. So, in the first year of our business itself, within first six months, we were awarded as a wholesaler status on Flipkart, and we progressed to Platinum next year.

So just to give you a brief '21, approximately, we in the first six months, we did around ₹50 lakhs of revenue. Within '22, we did around ₹50 crores in our brand. By '24, we have closed ₹112 crores and 2025, we have closed around ₹142 crores, ₹143 crores. So, this is our business model.

So, we are an asset light model. What we do is we identify latest global trends. We see a huge gap in the market for a price point, which is below ₹499 and ₹599. So, basically all the brands are above this price point. And 80% of our country, the market is below this price point. But the entire market is led by say unlabelled, non-branded goods. So, we are going to create a brand in that segment. So, we have targeted the range of ₹199 to ₹599, 95% of our range lies between that. 5% is above that. So, it starts with identifying new trend. Then we have our design development team, which converts the design from the idea within 7 to 10 days.

Then we have our fabric sourcing. We outsource our manufacturing part. We have a robust QA team, which is well trained because of the 10 - 15 years' service as a white label manufacturer. So, we have our systems in place. Then we have our distribution channel through our warehouse and we are present in eight states.

And then we sell through multiple channels in our brand, such as, as I just explained our marketplaces, distribution, wholesale, and also few large format stores. We still also do white label manufacturing for about 20% of our capacity to the larger players. So, we have an integrated warehouse in Calcutta. We have 30,000 plus square feet area.

We can hold around two million units. Six lakhs' meters plus fabric is stored with us any given point of time, and we are also using eight plus warehouses from a third-party in eight different states of our

country. So today, any product of ours is available within if you order through an e-commerce within 24 hours to 72 hours. We have just been launched in Zepto also as a quick commerce segment, and there we are delivering within 20 minutes. And we are available in 76 cities now.

So, this is our product line. So, we do complete men's wear portfolio, such as boxers, shorts, track pants, cargos, denims, trousers. We cover all. There are 13 - 14, categories. We cover all. So FTX is a leading brand. 74% of our business last year was from FTX, which has increased to 95% this year. Next slide, please. We have also come up with our brand TRIBE, which targets to the market between ₹599 to ₹999.

It is mostly for the Upscale Metro city customer, where we are serving them through retail chains and through websites, platforms like Myntra and Ajio. So, this is our revenue breakup. So, this is our mantra. We are going to be the brand for the Urban Bharat, for the value seeker customer, for the Gen Z generation where the design quotient has to be high. The price has to be affordable, and they should get it quickly.

So, this is our way of launching any design. So, we launch all our new SKUs with a very small quantity. We get them live in 10 plus marketplaces and our offline channel. Then our data analysis team, analyse the data of how it is going, which designs are doing better, which is going slower. So, wherever we see traction, we scale the production of those designs, and whatever has less traction, we dilute it and close it.

And then we invest rapidly on the designs, which have traction and scale. So, these are our main strengths. Innovative product designs, as I just explained you, we try to capture on the latest trends. Offering fashion to the new Bharat, we want to offer the latest fashion, which that today's Instagram generation is seeing on his mobile as a global fashion.

We want to offer the same to them at their price point, at their home. So, our brand recall is pretty good. We have more than four, five lakhs positive reviews in both Amazon and Flipkart. We are serving to almost 19,000 plus pin codes. We have a strong customer relationship. Our review ratings are also four plus, so our return ratio is also 9% to 10%, which is half of the industry standard.

We offer a wide product range. And for our team, we have been in the business since 15 years, so we know that in and out of the business, we are still learning and try to improve. But we believe that, this lower price point game, we understand this, and we are trying to expand it quickly. So, this is our online customers, online marketplaces. So, we have just begun our quick commerce journey.

I believe quick commerce is going to be a game changer in terms of fashion as well. So, quick commerce initially started as the grocery delivery service, but quickly it has scaled to many other product lines, many other categories. So, we are targeting the basic product line in the quick commerce segment. We are also launching many products such as swimwear or gym wear for serving it within 20 minutes to 15 minutes across the nation.

We have seen a good response just after being launched within a month on Zepto, and we are in talks with adding two more quick commerce platforms to accelerate our quick commerce journey. So, we have reached around ₹142 crores to ₹143 crores in menswear. We are coming up with our women and kids wear line. Our women wear is going to be launched next quarter. That is quarter two. The goods are already in production.

The market research is done, and we are coming up with the bottom wear line for women wear. And the kids wear, we are again in the research mode right now, and we target to launch it by the end of Q2. So, we want to scale both women and kids wear as we did men's wear and make it a complete portfolio for our brand. So, this is our financial highlights.

So, our revenue, '23-'24 was ₹112 crores. '24-'25, we closed at ₹142 crores, up by 26%. Our EBITDA was ₹10.82 crores, which we closed at ₹14.23 crores. Our PAT was ₹5 crores last year. This year, it was ₹8.63 crores, a growth of 71%. So, these are the key highlights of our numbers. So, the Indian apparel industry is a huge, huge one. As all of us know, it is set to be around ₹20 lakhs, ₹25 lakhs crores industry, both organised and unorganised.

Out of this, 80% of the goods which is being sold is non-branded. The non-branded segment generally is non-branded because of the price point. So, more and more customers are there, but they don't have a brand to buy, but the aspiration is going high, with time, with social media exposure and everything. So, our brand targets to convert those customers serving them with right product, right quality at right price

with fastest possible timeline and create a brand. So, growth drivers has to be the e-commerce, the quick commerce, the Sports and Athleisure segment, and coming up with women's and kids wear segment. Also, winter wear is going to be a key growth driver for us because we have been experimenting with winter wear since last two years and not indulging too much into it.

This year, we are going all out with our winter wear line, and we believe we have a plan to expand rapidly in Q3. So that's it from my side. Any questions, please?

Question-and-Answer Session

Moderator: Thank you. Whoever wishes to ask a question, may raise their hand or put their question in the chat box. We'll take the first question from the line of Agastya Dave. Agastya, you can unmute and ask.

Agastya Dave: Thank you, Mr. Agarwal, for doing this call and for the presentation. I have a lot of questions. I've been following your company pretty much since the DRHP came out. And while the revenue numbers have been as per expectations and the profitability has also been good, the various line items in between revenue and EBITDA, those are moving all over the place.

And I am trying to understand, exactly what kind of underlying trends are first of all exist in the business, and second going forward, we can expect from the business. So, the first is that there has been a continuous compression in the gross margins. And because I could not find any of the previous annual reports, obviously, you were not listed at that time, so I don't have access to those. So, I don't exactly know what all goes in other expenses. What are the line items which go into the other expenses and how they are moving? Because there, you are generating a lot of operating leverage.

So, the simple question is, is there a reclassification between the two? Any line items which were earlier in other expenses, have they moved to, shifted to COGS? And if not, then can you explain exactly what are the moving parts here? And because the business is also evolving, right? You are going to launch the women's fair, and you mentioned so many other initiatives. Because of these moving parts, how do you see the various cost items moving? And in all these cases, the new lines that you are going to introduce in the market, how will the gross margins behave? Are they significantly different? For example, is

women's wear going to be significantly different than men's wear in terms of gross margins?

So, basically, question is about gross margin and other income. But if you can go into details and give a quantitative as well as qualitative explanation as to how should we understand these cost items, as the company scales up? That's my first, like very large question.

Sailesh Agarwal:

Your question was about the other expenses. So, I will tell you, there are generally three items which goes in other expenses. Number one is our manufacturing expenses. Number two is our selling and distribution expenses. And number three is the other administration and general expenses. So, it is always the same. Nothing has been changed since last year or this year. So, this is one. And your other question was about the gross margins for the upcoming product line.

Agastya Dave:

No. Gross margin, so that is exactly. So, whatever you have defined as other expenses, that is so how I guessed it, there will be an element of manufacturing expenses also because you are outsourcing everything. So, I was expecting some variability in those expenses, right? But if I look at the numbers, your turnover in the last three years has more than doubled, but your other expenses are basically flat. ₹23 crores has become ₹24.6 crores. And so, I was expecting a bit of variability there, because of the manufacturing expenses.

And then in the gross margins, your gross margins have compressed from 39% to 29%. So that's a 1000 basis points compression in gross margins. So that is where, I'm like, I was expecting same gross margins and slightly like some variability in the other expenses. But it's completely, I mean, not as per expectations. So that is what I'm trying to understand. So, you have said that there is no reclassification. So, what exactly...

Sailesh Agarwal:

39% to 29%, which you told me, where is that?

Agastya Dave:

Right. So, if you look at your COGS, so this will be your raw material purchases and change in inventory. Those as a percentage of sales in 2023 were at 39%. And this is the gross margin I'm saying. So, they were actually 61%. And then this year, they are at 71%. So, there is a 10% increase in your COGS, cost of goods sold.

Sailesh Agarwal:

39% the gross margin thing, the manufacturing expenses is not considered. If you consider it, then it will become the same. with some percentage of growth.

- Agastya Dave:** So, this year, manufacturing expenses have been included in COGS?
- Sailesh Agarwal:** Right. In other expenses.
- Agastya Dave:** So, I'm not talking about other expenses. Other expenses are separate. Other expenses are constant. Basically, ₹23 crores, ₹25 crores, and ₹24 crores. So that's like constant. So please remove it for a second, and you're saying that manufacturing expenses are housed in other expenses. So, let's park it in a different category. Just look at your COGS, which is your raw material, purchases, and change in inventory. If I look at those numbers, ₹42 crores has become ₹100 crores. When the turnover has gone from ₹70 crores to ₹142 crores...
- Sailesh Agarwal:** So, this you are taking from '23, right?
- Agastya Dave:** I'm taking '23, '24, and '25, yes.
- Sailesh Agarwal:** '23, we had a lot of stock from the COVID era from that period. So, nothing much was purchased during that. And also, we were developing our brand that time. So, a lot of inventory, which was old was used to build the brand. And from the later years, we started procuring more. So, you have seen the numbers of the COGS going high.
- Agastya Dave:** Okay. So, if I look at just this year, right, going back to the presentation, this is Slide 23. So, on Slide 23, even if I look at in particular year, so which was FY '25, in H1 your gross margins were at 35%. In H2, your gross margins are at 26%. So, again, there's a 900-basis points variability inside the year. And obviously, there is no COVID related stock thing here. So, in last year, your half, I don't have the half numbers, but in the half last year, you were at 26%.
- So, there is a mild change YoY, but inside the year from H1 to H2, there is a dramatic decline in your gross margins. The other expenses are absolutely stable. In H1, you were at ₹12.3 crores. In H2, you are at ₹12.3 crores. So, there is no variability there. But the gross margins have compressed. So, is it a seasonal thing? So, I'm just trying to understand because I went through all the data points. And there was no trend that I could fit.
- Sailesh Agarwal:** '23, '24 are blended gross margin in terms of percentage was 23.32%. And in '24-'25, it is 24.08%. So, there is a marginal growth there. So, in terms of...

Agastya Dave: What number is this?

Sailesh Agarwal: This is your year's number – for 2023-24.

Agastya Dave: Year number that I have for FY '24, your gross margins were at 33.5%. And for FY '25, they are at 29.7%.

Sailesh Agarwal: Let me repeat it again. in that thirty-three figure you're using, you've included manufacturing expenditure. Please remove that. It is 23.32%. If you add that, it becomes 23.32%.

Agastya Dave: No, I am not adding it, sir. I'm telling you the same thing again and again. If you have – I do not have your manufacturing expenses separately. If you have kept it in other expenses, I am not including this in COGS. I am just looking at the...

Sailesh Agarwal: That is why the difference is there.

Agastya Dave: No. I think I'm failing to explain the problem. Just go to your presentation that you have given. Go to Page 23. Take at the presentation you were just giving. Go to Page 23. Look at FY '25 and FY '24 numbers. Your gross margins, so this is just two years, I was talking about three years. So, if you include FY '23, the number is even more stark.

But forget FY '23. FY '24 look at the gross margin number, 33.5%. That has declined to 29.4%. If you have added manufacturing expenses to this – I haven't, sir. If you haven't added manufacturing expenses to this, then manufacturing expenses are not included in it. Then look at same slide. Look at H1 versus H2. There's a 35% gross margin in H1 last year, and there's a 25.8% gross margin in H2. So, again, there is a 1,000-basis points variation.

So, I'm just trying to understand what explains this. So, there is nothing. And then second thing, as you said, manufacturing we outsource. So then there should be some variability there as well. And if that manufacturing is getting clubbed in other expenses, look at your H1 and H2 other expenses numbers. ₹12.31 crores has become ₹12.30 crores. So, there is no variability there. So, I do not have the schedules in front of me. I could not find any of the annual reports, and I obviously...

Sailesh Agarwal: I will ask the auditors to probably share these numbers with you, number one. Number two, about this percentage of 33.5% gross margin last year to 29.4% this year. So, it's a 10% variation, which you are seeing is...

Agastya Dave: It's a 400 basis points.

Sailesh Agarwal: Correct. So, this is the period where we have launched new products. So, we were majorly into four categories of men's wear. Today, we are into 14 categories of men's wear. So, what happens is, when you're trying to expand your brand with newer categories, there is a lot of experiments which goes in. So, among the experiments, you find your new hero product. And then you go ahead and expand your hero product, and you create a line around it.

So, this is an ever-going process where these small margin things will sometimes come down and sometimes will go up. So, whenever an introduction of new product in a fashion business, it is not like a commodity. We've never known what exactly will work. So, what we do is we experiment with smaller quantities of various designs, and then we try to figure out what is selling and what is not selling. So, whatever is not selling, we cut it off, and whatever is selling, we do that.

Agastya Dave: Perfect. Understood. Then the second part of the question, that you are going to launch a women's wear, women's line now and other experiments that other lines that you're introducing, there will be experiments in those as well. So, what should we, should we consider your gross margin trend be like? So steady state, suppose all these launches suppose you are not launching anything new and these launches you continue with the launches that you have already launched, and they stabilise, right?

So, you get to know exactly what the consumer taste is. So, what will happen to your gross margin in such a situation when you reach a steady state in terms of the lines that you introduced? And second because you were introducing new lines, what more variations can we see on top of that?

Sailesh Agarwal: Okay. So, I will explain you this. There is a lot of learning which have gone behind this. That how to launch and test new products without compromising much on the margin, right? So, say women wear. When we are coming up with women wear, so what we have done is we are not coming up with women top wear. So, women top wear is one

product line that it comprises of around maybe 60% of the women's wardrobe, but that is one product line which keeps changing. So, there is a lot of variations there. So, we are coming up with women bottoms wear first. So, what we saw is that there is more stability in women bottoms wear in comparison to women top wear.

So, we are coming up with products like Denim's women trousers and stuff where the design element is not too high, where the changes are not too much. So that will help us experiment with lesser hit on the margin, number one, and bring out the new products faster.

Number two, once we build that, then gradually, we will tend to the women top wear. So, quarter two, we are only coming up with women bottom wear to keep it stable. Number two, with kids wear, we are doing the same. We are not coming up with kids who wear fashion products, immediately.

We are coming up kids' sportswear, kids' swimwear, and kids' cord sets nightwear type of product line, which is, again, it's like a commodity thing, but we add on to the fashion element and latest trends and cartoons and other things over there. So, again, establishing ourselves over there, making the algorithm understand that we are there. This brand is doing well. And then experiment with the other fashion products.

Number two the point is, now our men's wear line is established. All our new categories are already established. So, obviously, now with there, we can have the economy of scale advantage and also press harder for better margins.

Agastya Dave:

Got it. So is a 25% gross margin, will this sustain or we see slightly like women's wear or kids wear launch, how big in magnitude will that be compared to your existing sales?

Sailesh Agarwal:

See, we always go soft in when it comes to any new product line. We don't believe in going massive with fashion business. We always like to test, get the results from whatever we have tested, and then go heavy on it. Then we back it by advertisement or wider line and other stuff. So, women and kids, both are going to be very in terms of volume, in terms of quantity, we are going to come up with very small quantities.

The line is going to be wide. So, say example of women wear, we are coming up with almost 70 options, 70 styles. But each style, we are

not manufacturing more than 200, 300 units. So, in terms of entire volume, it is not much, but as a line, then customer will see it as a 70-design portfolio. So same with the kids wear.

So, in men's wear, we can keep pressing for the margin. Women and kids, again whatever research we have done is done, but still the market will decide what they are buying, what they are not. So, once we get to know that, then again in the next quarter, whatever becomes a hit, we will double down it. Go with a wider quantity and range. Maybe more colours in the same products and cut off whatever is not selling. So again, because the launch quantities are lesser, so the hit will be there.

Agastya Dave:

Understood. Okay, and your existing lines and the new lines, I mean, how do you manage inventory? So, you mentioned that the returns are very low for you compared to industry standards. But still, I'm just trying to understand, how will your working capital requirements change, and how will your margins change as the company scales up?

And if I remove the kids and women's wear as of now, your base business, which is purely men's as of now, how much is that expected to grow over a period of time? And whatever gains you will have in the men's wear, I'll go back in the queue after this question, if you can answer this.

Sailesh Agarwal:

Your question is, how much growth we are seeing only in men's wear?

Agastya Dave:

In men's wear, how much will women and kids wear add on top of it, and how will your working capital change because of these?

Sailesh Agarwal:

Okay. So, number one, I'll answer the working capital thing first. So, as I just told you, women and kids wear launches in terms of the line, it is going to be wide, but in terms of quantity, it is not going to be too much. So, I don't see that taking too much of a hit on the working capital thing. And coming up, with the men's wear point, so for men's wear fashion, we are trying to grow both horizontally and vertically.

So, as I just explained you, till last year, we were there presented eight e-commerce platforms. Today, we are there at 10 plus. We have already launched in quick commerce. We are expanding our footprints in the Offline segment as well. We already have hired a sales person in eight states of the country. So, what we believe is that, more and more design options, trendy options to the customer and selling it through all the major channels will give us a good quote.

As I just mentioned during my deck presentation that we were never too heavy on winter wear. So, as I just explained that, we go soft. So, winter wear is something since last two years, we have been experimenting. And last year, we got some good results in winter wear. So, this year, we have the right data of how to go about winter wear. So, we believe that our winter wear is going to significantly add on to our top line this year. And in winter wear, the bottom line also is better generally because it is people want it immediately.

And more of fashion can be portrayed in winter wear. So, two years, it took us to soft launch it, get the data correct, get the answers from the customer, what is selling, what is not, what fit, what not. So, this season, like last year, we launched around 70, 80 options of winter wear and that also not with too much of depth. But this year, we are coming up with 300 plus options in winter wear only.

And among that around 200 options are coming up with huge quantities. So, we already have data point now that how to market it, how to sell it.

Agastya Dave:

Okay, understood.

Sailesh Agarwal:

So, these are things which will bring growth to us. And also, the quick commerce, we are looking at quick commerce to scale rapidly for us. It has just been a month. We have seen very good tractions, and we believe that being available within 10 minutes in 76 cities to 100 cities now if we add on the other two channels as well of quick commerce. So, this is huge. It can add on to any given numbers. And also, the kids and women wear line, if that can go in kids wear in quick commerce, that can also help us scale rapidly.

Agastya Dave:

Okay. I have other questions, but I'll go back in the queue. There's another participant who has raised hand, it seems. Yeah. Okay. Thank you.

Moderator:

Thank you. We'll take the next question from Isha Agarwal. Isha, you can unmute and ask.

Isha Agarwal:

Hi, good afternoon. So, my question is, what are your various segments that you are targeting and what is the revenue expectation from those segments? Like, which would be the top two, three segments that you would really want to target where the margins are

really good going ahead? Like after two, three years of market scaling and everything.

Sailesh Agarwal:

So, it's going to be men's wear, women wear, and kids wear, both fashion and sportswear. And then the channels are going to be e-commerce through marketplaces, quick commerce and our distribution network offline. So, these are going to be the three channels. The 15%, 20%, white labelling, which we have been doing, we will keep on doing. So, I believe that 50% to 60% business will come from e-commerce. We expect quick commerce to grow from zero now to 5% to 10% in in next, a year or so, and the balance will come from offline channels.

Isha Agarwal:

So, among the segments, are there any margin difference that you guys have? Like for men's, maybe the margins are high or for the kids, any differentiation among the segments?

Sailesh Agarwal:

So, I believe women wear has a little better margin than men's wear. So, men's wear but if you optimise your inventory, if you optimise the products you sell, then you can obviously come down to almost similar margins. With the women's wear, there is a lot of rotation of fashion, which is far lesser in men's wear. So, these are two very different ball games. So, I believe that, if in terms of selling the same product continuously, similar products continuously bring out better margins to you as a brand as a manufacturer.

And in women's wear, again the bottom wear, I believe will have better margins. The top wear will have too many experimentations. We'll have to have that line, but the margins will not be as compared to the bottom wear. But average out, it will be better than the men's wear.

Isha Agarwal:

So, is Forcas into outsourcing or we are completely manufacturing it ourselves in all these segments or there are specific segments which have been outsourced?

Sailesh Agarwal:

We are completely into outsourcing. So, what we do is we find the latest trend which we want to sell. We do our sampling, our costings around it. We have a design team to do that. Then we have our fabric sourcing team, which knows what exact fabric will go in what. So, we develop fabrics through manufacturers or we buy it through different channels and we get our complete stitching outsourced. We also buy out ready garments from our nominated suppliers who have been working with us since long and have been doing the same product day

in, day out. So, we are an asset light model. We don't manufacture anything. We are here to build the brand, and we want to focus on that.

Isha Agarwal: Okay. One question maybe a very futuristic one. Are we focusing on eco fabrics given the environmental concerns that we are seeing right now? So, any plans to add on to those?

Sailesh Agarwal: Our business, our customer is the mass Janta of our country. Means, apparel is the last thing they will think about being eco-friendly and all. So, our brand is not positioned there. I don't see being that. Though we use a lot of recycled fabric, recycled yarn fabric in our product line. Because again, it is eco-friendly also and it is way a little cheaper than the raw yarn.

Isha Agarwal: Okay. So, the other question I wanted to know is, like since you guys have been focusing on Zepto or quick commerce, how much inventory or the working capital margins you guys are ready like is it like really affecting your cycle after you're going to increase the quick commerce segment part or channel of the business? Like, how much different.

Sailesh Agarwal: Not exactly. So, the quick commerce, the best part is, it is more of the basics which are going to sell. And whatever basics, we have, we keep an inventory of a certain number of days. So, among those certain number of days only, one part of the inventory goes to the quick commerce stores from where it is distributed. And we weekly replenish it. So basically, inventory over there is not going to be for more than 30, 40 days.

Isha Agarwal: Okay. And one more last question that I would want to really know. So now given the HRX brand, I really want to know what is FTX doing different from HRX. And second part of the question is, what is HRX doing which you guys really want to target and become like, yeah this is where we would want to achieve, so like, both the ways.

Sailesh Agarwal: So, FTX was actually Fitness Exchange to begin with. So, we started as a mass sportswear brand. But because of our quick attraction with the customer and the customer really liked our product line, we got good numbers initially. So, our customers and the platforms, they both pushed us to not just stay stuck, being a sportswear brand. And we cut the name short to FTX from Fitness Exchange, and we got into casual wear also.

So HRX is only a sportswear brand. We are a casual brand which also have sportswear, number one. Number two, HRX, target customer and our target customer are pretty different. HRX hardly has maybe 10%, 15% of its range below ₹599 and 90% to 95% of FTX range is below ₹599. So, the target customer is completely different.

Isha Agarwal: Okay. Thank you so much, Sailesh. That's it from myself.

Sailesh Agarwal: Thank you, Isha.

Moderator: Thank you. We'll take the next question from Harshil Shah. Harshil, you can unmute and ask.

Harshil Shah: Yeah. Thank you for the opportunity. I just had a few questions.

Sailesh Agarwal: Yes, Harshil.

Harshil Shah: Considering your price point and strategy, what's your right to win in a competitive market in online as well as offline?

Sailesh Agarwal: So, we don't see this as a competition. We see that, this is a huge opportunity. So, it is around ₹20 lakhs, ₹25 lakhs crores market where 80% to 95% of the goods is being sold under ₹499. And then we don't have a single national brand over there. So, if we just try to give the customer the right product at the right time with convenience. So, there is a lot of scope of building a brand there. So, we are on track to do that. We believe another couple of years, we will stand out as a brand in the same category, which is the biggest segments in our country.

Harshil Shah: Okay, got it. And what's your geographical breakup of sales in the offline channel, if you could?

Sailesh Agarwal: So offline channel, our goods get sold in 15,000 plus retail stores across the country. So, North India has more of our distributor network. Our distribution is done mostly in Delhi, Punjab, Rajasthan, Madhya Pradesh. Also, Bengal is doing very good for us. Assam, we have just begun. Assam is doing good. So, it's more of North India, and when you go online, it's more of South India for us.

Harshil Shah: Okay. Understood. And how are you aligning design and colour choices to different regions? Because in that case, volumes can never be achieved. And how do you see your revenue mix three or five years

down the line in three channels, namely offline, online, and white labelling?

Sailesh Agarwal: Okay. So, question number one was the colour taste across the country. So now I believe, it has changed. It has really changed. I'm into the textile business since 20 years. So, what I see is, that earlier the difference of choice was too big. But because of social media and Europe, say that people are traveling more, the taste is becoming more and more global. So, nowadays, I don't see there is the huge difference left in terms of sizing also, in terms of colour also.

Earlier, if the difference was say 50%, now the difference is hardly 10% to 15%. So, what we do is, when we launch any product, it is generally live from our own warehouse. And then we see which area is consuming more of what. So, whatever is consuming more, we send our goods in that state and keep the stock in that warehouse to optimise on the demand. So, this is a strategy where we optimise the demand of a particular product from a particular reason.

Harshil Shah: Okay. And what about the revenue mix?

Sailesh Agarwal: So, I see 50% to 60% of our business coming from e-commerce, 5% to 10% from quick commerce, and the balance of it.

Harshil Shah: Okay. Got it. And so, one last question. Which regions are you looking to kick start quick commerce first, and how to plan to grow it PAN India?

Sailesh Agarwal: So quick commerce, we started with North India, but now we are available everywhere. Zepto is available in 76 cities, and we are available in all 76 cities.

Harshil Shah: All right. Great. That's it from my side, and thank you.

Sailesh Agarwal: Thank you.

Moderator: Thank you. We'll take the follow-up question from Agastya Dave. Agastya, you can continue.

Agastya Dave: Yeah. Hi. Thank you very much for the follow-up. So, the offline partners that you have mentioned in your presentation, all of them are showing very nice growth. And again, the targeted segment and the price points that you are targeting, again, those are also showing across the industry very high growth rates. So how do you see the

growth panning out for you over the next two, three years? That is the first question.

And the last question for the day from my side is, what kind of capital requirements would you have? To me, it looks like until unless, like if the working capital doesn't deteriorate substantially, you won't need any capital. But still, what are your thoughts on it?

Sailesh Agarwal:

So, I will come to how to grow. I will tell you, Agastya. So, Agastya, how it works is, we are a capital light brand in both ways, in terms of manufacturing also and in terms of front end also. So, we don't have CapEx for a store to sell offline. So, most of the online brands today want to go offline, but again, they need huge CapEx. So, we have created this distribution channel where everything is sold outright, and we don't have to pay any CapEx for that.

So, it is far easier to grow it. We can deep down on district wise distribution network, and we can expand that sale anytime. And we are doing that gradually. We have a process to identify, which distributor, which area to work with and we do that. Also, our online sales also help us knowing what region our goods are selling more. So last year, suddenly, we saw that Tamil Nadu is on a jump in terms of online buying for our brand. So, we found somebody and appointed him who already had a marketing channel in Tamil Nadu, and it gave us amazing returns. It means, the sales offline sales also shot up there.

So, this kind of data being online and offline both helps us know which area to go first with, wait for with. So, there are too many options for us now to grow offline. And also, growth through quick commerce, I see it as a significant portion. Quick commerce is going to be huge coming forward. And, yes, the capital requirement thing, if you have done the maths, we would not need much. If required, we can obviously arrange it ourselves or we can get some CC from bank or something.

Agastya Dave:

Sure. So, 25% to 30% top line growth seems achievable to you?

Sailesh Agarwal:

So, we are targeting 30% to 40%, anywhere between minimum 30% to 40% growth every year for the next two years.

Agastya Dave:

Okay. And the margins, do you see these continuing or some pressure on it when the new lines are launched?

Sailesh Agarwal: See, I believe, the margins are going to get better by the date as your brand wins the trust of the customer.

Agastya Dave: Yes. That part I agree. Yeah.

Sailesh Agarwal: And with the price point of DSP of 400, if we if we get ₹10 extra also, it is like 2%, 2.5%, which goes straight away in your net margin.

Agastya Dave: Right. Thank you very much for answering all the questions. I hope the annual report will have detailed schedules, so that the question that I asked you at the beginning of the call gets properly answered. Thank you very much.

Sailesh Agarwal: Yes. Thank you.

Moderator: Thank you. We'll take the next question from Kush Tandon. Kush you can unmute and ask.

Kush Tandon: Yeah. Hi, Sailesh. Thanks for the detailed presentation. I just wanted to understand the quick commerce business a little bit in more detail. So firstly, I think the question was how difficult is it for a brand like yourselves to onboard on a PAN India platform, and what it entails in terms of from the platform's perspective. What all things do they look at in terms of the product, the pricing, the quality, etc?

Sailesh Agarwal: So, Kush, there is a huge queue now to get onboard on quick commerce. Everyone wants to be there. And with quick commerce, there is a thing, they have a limited size of their dark store. With e-commerce, everything is virtual, so you can keep your stocks anywhere. But with quick commerce, they have a designated area. Only in that area, they'll be able to store. So, they're very choosy when it comes to brands with whom they want to work, whom they want to offer to their customer.

So, we have been fortunate that our customer review and ratings and our SEO search of our brand has been pretty high. So, this is the reason that quick commerce companies have contacted us, and they have seen the performance through online marketplaces. They already have the data from everywhere. So, this is the reason they started with us.

In fact, we only started with one single design option with seven, eight colours for the first month, and we saw amazing, amazing numbers coming. So, this is, again, it was a trial for us. So, we are going to

double down this. We are trying to launch 50 new options within next 30 to 60 days and trying to expand rapidly in quick commerce segment.

Kush Tandon: And what are the margin that the platform will keep, I don't need hard numbers, but is it better than the regular e-commerce platforms, or are they charging more higher margin from you?

Sailesh Agarwal: So, there's a simple logic. In general e-commerce, the return goods, whatever comes from customer, the cost of the return is born by the seller, by the brand. In quick commerce, there is no return. The return doesn't come back to me. It goes back only to the dark store, which doesn't cost much. So, obviously, that is a significant portion of the margin. So, in quick commerce, the margins are higher. Also, the quick commerce customer is very different.

It is not just the bottom of the pyramid customer. It is more of a metro customer who is okay to pay. He's paying for convenience. He's paying to get the stuff in 10 minutes, 20 minutes. So, yeah, means quick commerce obviously has far better margins than e-commerce.

Kush Tandon: Okay. And just on the very question, which was asked about the gross margin profile. Should we think about this as a 30% gross margin business going ahead, because everything then tickles down from there, and a 10% kind of an EBITDA which you've achieved this year, should that be a fair understanding?

Sailesh Agarwal: Yes. Around that, means, nothing less than 30% of gross margin. 30% is going to be the bottom thing. And, yes, 10% EBITDA, we want to improve on that.

Kush Tandon: Okay. Understood. And the final question on inventory, obviously, this is a business of inventory management. So how are we ensuring a lot of money doesn't get stuck in the inventory? Obviously, you scale up products as per their response on these platforms, and so the inventory management is a little better, but there are cash flow from operations continue to be little negative. It has significantly improved from last year, but still I'm saying that inventory is a line item, which is critical in our business. So, any thoughts on that? So how will we manage that and make positive operating cash flow?

Sailesh Agarwal: So, we have developed an in-house inventory management system. So, which captures everything. All our goods, across the 1,600 options we have into four to five say sizes. So, the 8,000 to 9,000 unique

SKUs we have, we get the data every week of the DRR, the daily run rate or sale rate of each size, each colour of each product. And we have since last, one, 1.5 years, we are not producing anything monthly. We are only buying weekly.

So whatever sales each week is bought every week covering the period of procurement. So, we take our stocks only as in two categories. Number one is said goods. The goods which are selling into the number of days we want to hold the goods for. And number two is, the new testing products, whatever we are going to test.

So, this is the way, we have a leaner inventory model and not too much of a, any option is not dead with a bigger quantity. So, whatever is not working is already there in only smaller numbers.

Kush Tandon: Okay. And there is, you don't plan to have your own manufacturing in anytime soon, right?

Sailesh Agarwal: No. We want to be light. This is working for us. See, when you do your own manufacturing, you can only manufacture a certain set of products. You can't manufacture everything. And we want to be a brand and not a manufacturer. We want to go into men's, kids, women, all three because, again, we see this segment has a vacuum for a brand, and we want to have all the categories of all the three sections. So manufacturing, I believe, it's easier to source than do it.

Kush Tandon: Okay. And just one last question. What will be our percentage of discounted sales versus full price sales? How much do we need to liquidate our discounted prices just to get the inventory of our balance sheet? Do you track that metric?

Sailesh Agarwal: Yes. We do. Actually, only the new products which are launched and which doesn't get traction is that goes in discount. And number two, whenever, these e-commerce companies come up with their festive discounts or something, that is a period that that we have to offer some discount. But that is not to liquidate. That is to generate higher sales at that period. So, I think it is hardly 1%, 1.5% of the total inventory, which is diluted.

Kush Tandon: Okay. Understood. Thank you for answering all the questions. All the best to you.

Sailesh Agarwal: Thank you very much.

Moderator: Thank you. Since that was the last question, do you have any closing comments?

Sailesh Agarwal: Yeah, I feel that, we are on the right track. I'm really excited about the quick commerce thing. I think we have done great research on women's wear, and we have done a good job to begin with the bottom wear first and not with the top wear. I believe that, women denim at a certain price point is a huge gap in the country. Getting quality denims and quality trousers for Indian women who are going out more, working more. There is a huge gap to build a brand. We are targeting that white space.

Also, in terms of winter wear, we are really excited. We see smaller category products which people don't notice also, such as a wind cheater or lighter wear jackets. There is no brand under ₹500, ₹600, and the consumption is humongous, It's huge. So, we are targeting that bracket as well.

In terms of quick commerce, we believe the swimwear and the sportswear is going to do a pretty good business for us. So, we have our plans in line, and we're excited to execute it and see how it goes well.

Moderator: Thank you. And thank you to all the participants for joining this call, and thank you to the management for your time. You may all disconnect now.