Company Name: Thomas Scott

Quarter under review: Q1-FY27

Thomas Scott Ltd – Q1-FY27 Concall Highlights:

Thomas Scott Ltd					
INR In Mn	Q1-FY27	Q1-FY26	Y-o-Y	Q4-FY26	Q-o-Q
Operational Income	658	539	22.1%	778	-15.4%
EBITDA	86	60	43.3%	110	-21.8%
EBITDA M (%)	13.07%	11.13%	194 bps	14.14%	-107 bps
PAT	54	35	54.3%	60	-10.0%
PAT M (%)	8.21%	6.49%	172 bps	7.71%	50 bps
Diluted EPS	3.71	2.5	48.4%	4.22	-12.1%

Operational Highlights:

- **Own Brands (Thomas Scott):** Revenue reached INR 25 crores, up 34% Y-o-Y, driven by increasing brand acceptance, online-first approach, rapid product launches, and data-led merchandising. Approximately 40% of Thomas Scott brand revenue now comes through wholesale B2B2C aggregator channels, highlighting growing penetration through marketplace aggregators and expanding addressable consumer base.
- **Licensed & Other Brands** Revenue delivered INR 38 crores, up 14% Y-o-Y, supported by strong marketplace relationships and continued premiumization of international brand portfolio. Recent execution of Dockers brand license agreements expected to contribute meaningfully in coming quarters as operational roll-out progresses.
- **Contract Manufacturing** Business grew 33% Y-o-Y to INR 4 crores, driven by improved capacity utilization and sustained relationships with marquee customers, validating the resilience of the manufacturing business model.
- **Women's Wear Category:** Emerged as an important growth pillar, contributing approximately 13% of Q1 FY27 revenue. Successfully repositioned model to identify long-term trends rather than short-term fads. Unit economics largely neutral to favourable compared to men's wear with strong repeat purchase behaviour, particularly in bottom wear and basic categories.
- **Quick Commerce Initiative** Largest partnership with M-Now (Myntra) with neutral unit economics. Remains in nascent stages of broader quick commerce strategy, recognizing most products are fashion-led requiring different purchasing behaviour patterns.
- **Offline Retail Strategy:** Bangalore store remains EBITDA positive, but capital deployment prioritized towards online opportunities showing higher ROCE. Future offline expansion will be selective and organic, with stores opening only when guaranteed profitability materializes quickly.
- **Technology & AI Platforms** Developed proprietary platforms (Thread.ai, Catalog.ai, TSI tech platform) for demand forecasting, planning, and catalog management. Currently focused on internal integration to enhance operational efficiency; no plans to commercialize as SaaS offerings at present. Expected to unlock next phase of efficiency and growth.
- **Own Website Contribution:** Increased significantly over recent months due to AI-oriented website enhancements allowing AI-based search queries. Website identified as potential major growth channel for future.

Key Questions & Answers discussed during the Concall:

- **How do unit economics and repeat purchase behaviour compare between women's wear and men's wear and what is the medium-term contribution target?** Women's wear unit economics are largely neutral to favourable compared to men's wear with no trade-off. Return costs have been controlled through focus on long-term trends and core/timeless products. Strong repeat behaviour observed in bottom wear and basic shirts. Medium-term Target: Women's wear could reach 2X-3X of current revenue within a year's time, with cautious scaling and consistent testing approach.

- **What is the aggregator/wholesale strategy impact on revenue and EBITDA margins?** Approximately 40% of Thomas Scott revenue (~INR 10 crore in Q1) flows through B2B2C aggregator channels. Aggregator sales are EBITDA margin-neutral; gross margins lower (wholesale prices) but EBITDA remains consistent with net sale value basis. Provides scale without adversely impacting profitability.

- **Was demand subdued or price elasticity subdued?** Price elasticity was subdued, not demand itself. Typically, 1% price cut generates 10% revenue increase. This quarter, ROI from price cuts was suboptimal, so we maintained prices and invested in performance marketing instead.

- **How are you looking at Q2 and future festive seasons?** Currently seeing positive consumer sentiment in August. Q3-Q4 (festive seasons) likely to offer better ROI on price movements. Overall FY27 growth target aligned with demonstrated pace over last two years.

- **What is the timeline for AI platform improvements and what additional features will be added?** Developed in-house tools merged into single TSI tech platform. Further integration planned with better AI models like Claude for enhanced innovation. Creating mechanism to leverage evolving AI landscapes. In terms of forward outlook we expect possible 2X EBITDA margin improvement through economies of scale and efficiencies, though will balance against growth investment needs.

- **Has own website contribution increased despite strong marketplace growth?** Yes, own website contribution increased over recent months. Driven by technology uplifts making website AI-oriented with AI-based search capabilities. Changes proven effective; website viewed as potential major channel going forward.

- **Can you provide sales growth and margin guidance for FY27?** Targeting same growth rates demonstrated over last two years to continue on that path. While aiming to give margin improvements this year (already demonstrated in Q1), growth is a priority. If right opportunities to increase top line emerge, we may invest margins in that growth. Current trajectory should enable consistent margin improvements with flexibility to invest for growth.

- **What is the company's long-term strategic vision given B2B and B2C focus?** Very Long-term Vision (10+ years)is to be the number one multi-brand online retailer globally. We are building supply chain operator inside India for B2C sales in India and globally. Currently 94%+ of revenue is B2C. B2B offers long-run production orders allowing factories to optimize and set efficiently. Once lines set, can feed short-run, high-width, low-depth B2C orders efficiently. Our aim to make Dockers the #1 bottom-wear brand for men, women, and kids in India, with a positioning comparable to Levi’s and a focus on premiumization.

- **What strategy do we have on our offline retail expansion, like retail store expansion?** Offline retail, stores continue to remain in pilot mode. While profitable, we still are yet to see a return on capital employed which is better off than our current opportunity set largely online. With the capital sources that we have available right now and to maintain, we have decided to apply capital on the online sources of growth at the moment, which may involve growing our existing brands or adding new brands or taking few of our brands global.

- **Can you expect 2-3% EBITDA margin improvement over 3-5 years?** Possible for margins to improve through economies of scale and better efficiencies as we scale. However, has aggressive growth targets that may offset margin improvements temporarily as we invest margins in growth opportunities. It's a balancing act demand is very large with significant room for growth; focus is on realizing that growth opportunity.

Key Participants:

Rehan Saiyyed - Trinetra Asset Managers
Shreyans Jain - Svan Investments
Zaid Kazi - MM Capital
Pranali Pail - Edin Investment
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