

A detailed Research Report On Thomas Scott 🧵🧵🧵 The business model is very unique and there is a very big opportunity. Also done Forward pe calculation and read the full report you will get many answers. CC -@caswapnilkabra & @PrathameshHirv3 .



THOMAS SCOTT INDIA LIMITED ("TSIL")

FASHION > TECHNOLOGY > RETAIL

The main thing I like about this company is the promoter because he used the data which was available to everyone but no one used it and he used and made business. If you want to make a big business in a Fast Fashion you should need to identify the trends what people like most

ABOUT THE SPEAKER



Vedant Bang

Managing Director at
Thomas Scott (India) Limited

Hey! I'm Vedant Bang, a passionate and driven individual who loves exploring the intersection of technology and fashion. I am currently the Managing Director of Thomas Scott (India) Limited, where I have led the company's transformation from a traditional apparel manufacturer to a tech-enabled online fashion retailer.

With a strong background in finance and data analytics, I am a Fellow Actuary, CA and CFA Charterholder. My love for data and numbers has always been a driving force in my career, and I am constantly seeking ways to leverage it to drive business growth and innovation.


As a young entrepreneur, I am always on the lookout for new challenges and opportunities to learn and grow. I am a firm believer in the power of technology to disrupt and revolutionize industries, and I am excited to be a part of the ever-evolving fashion landscape.

Research Report On Thomas Scott

~By Preet Shah



Reason For Selecting a Company :

- ☒ Promoter is very sharp and know what to do and is very talented and doing everything which is needed for growth.
 - ☒ Its one type of proxy play of myntra's success and also they are in myntra top5 vendors and currently in top3.
 - ☒ Opportunity is very big (TAM).
 - ☒ Recently done pref for capacity expansion.
 - ☒ Available at forward pe 13-14.
 - ☒ Pe can Rerate that's one of the biggest positive .
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About the Company :

- ✘ TSIL is in the business of manufacturing and trading of Garments and Fabrics. Company offers premium shirting & semi -formal Business casual shirts through its various brands.
- ✘ It offers a range of men's formal wear & casual wear available in different colours, sizes, designs and patterns. Apart from this, company offers customized products based on customer specifications.

@caswapnilkabra sir has explained very well the business model so you can go and read there I will attach the link of his post at end.

What is companies Business model ??

- ⊠ Company is mainly a contract manufacturer for myntra,amazon& ajio and they also have their own brand and retail stores.
- ⊠ So mainly big brands give license to myntra to sell their products now myntra can do 2 things either they can setup their factory and do which is very time consuming and capital intensive. Other they can outsource as its an asset light model for them and they now only have to focus on marketing. So thomas scott is one of the vendor of myntra who do manufacturing, designing& distributing.

- They also do for amazon and namshi.
- ⊠ They have also their own brand thomas scott which they sell online in e-commerce platforms and also have offline stores.
- ⊠ They also manufactures for b2b brands like raymond, wrogn, being human.

Important Financial Ratios :

Mcap – 261

P/E Ratio -26

Cmp -266

Roe-31.4

Roce-31.7

TTM Profit- 10

PAT-11%



Here I have not taken sales of their own brand,namashi and mango in calculation as I want to be conservative. Only taken Myntra and somewhat calculated on my basis that they would do if we add all then numbers will come 200+ but let's be conservative here.

Forward Pe And Market Cap :

- ☒ Pe I have given is 35 it can increase also but for safer side taken as 35 its will be reasonable.
- ☒ Sceanrio-1) They do 160 cr sales and pat margin is 10% = 16 cr profit.
- ☒ Sceanrio-2) They do 180cr sales and pat margin is 10% = 19 cr profit.
- Fwd Mcap formula = next year profit*pe
- ☒ fwd Mcap= $16 \times 35 = 560\text{Cr}$ (Upside Potential 115%).
- ☒ fwd Mcap= $18 \times 35 = 630\text{Cr}$ (Upside Potential 143%).

OUR BUSINESS MODEL – TECH ENABLED BACK-END TO SUPPORT MULTIPLE FRONT ENDS

TSIL is an online first specialty retailer of marquee brands across major marketplaces and through own website. Our customers interact with multiple front-end channels & brands (9 channels, 15 brands, 12000+ SKUs) across the internet; efficiently managed through a common back-end supported by cutting edge technology. This creates overall cost efficiency and readiness to scale the business.



Single backend supporting multiple front end channels

Own Brands



Namshi Brands (UAE/KSA)



Myntra-Flipkart Group Brands in Marketplace Model



Amazon Private Labels B2B



Major B2B customers



Articles Sold

Menswear



Shirts

Trousers



Jeans

Shorts



T-Shirts

Blazers

Womenswear



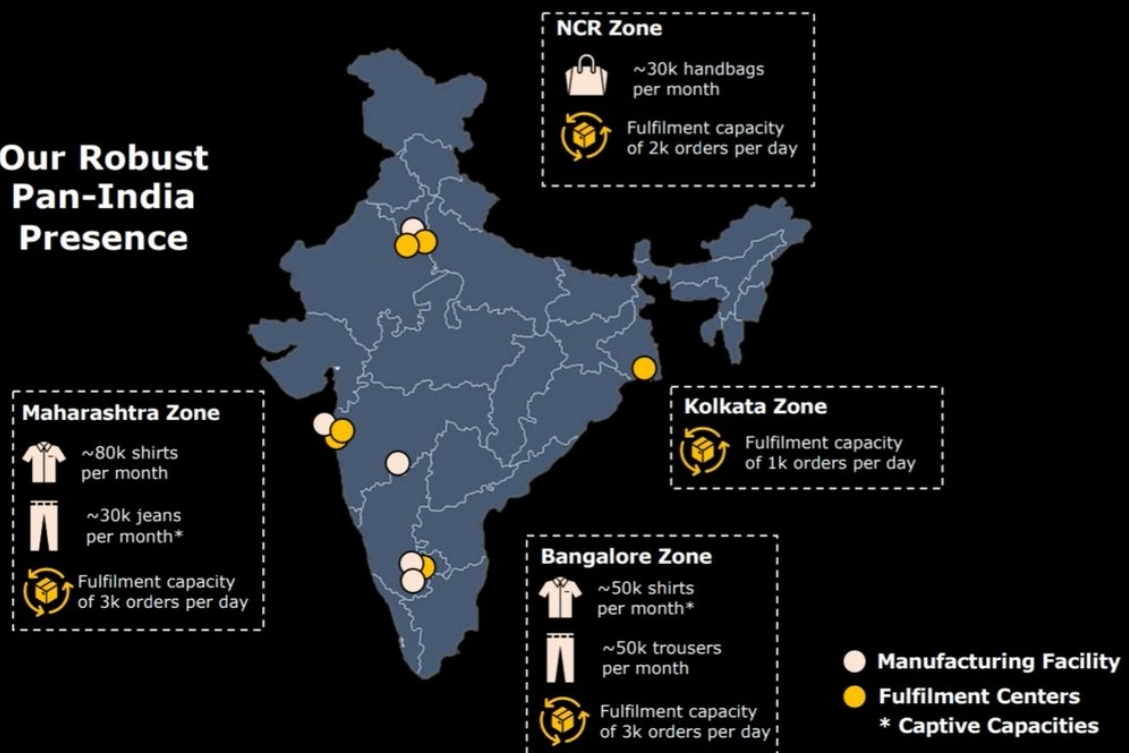
Handbags

FASHION > TECHNOLOGY > RETAIL

OUR BUSINESS MODEL – TSIL PROVIDES A TRULY D2C EXPERIENCE

With manufacturing facilities in Bangalore, Solapur and Gurgaon; and a robust warehousing / distribution network across India, TSIL provides a truly D2C experience to customers where the product moves direct from factory to the end user.

Our Robust Pan-India Presence



FASHION > TECHNOLOGY > RETAIL

PRIVATE & CONFIDENTIAL

Thomas scott manufacturing capacity and the locations

How Big Is Opportunity ??

- ▣ As we all can see now a days people are shifting to premium brands and people like to shop online so this market is growing very fast.
- ▣ Myntra gmv is around 10000cr of menswear. which will be 15000 cr in next 3 years as its growing very fast.
- ▣ Out of which 25% is outsourced from vendors which myntra is thinking to outsource almost 50-60% in coming years. Thomas plan is to take 15% market share from it which is $(15000 \text{ cr} * 60\%)$ assuming myntra will outsource = 9000 cr if thomas get 15% then it would be around 1350 cr)

Some Questions & Their Answers :

- ▣ Q1 Why sales is stagnant 5last qtrs ??

Ans-they have closed their b2b business which was having very low margins so due to that there was drop in revenue and there new factory will be setup and can be used from q2 so that is a reason of stagnant sales.

- ▣ Q2 Has margin peaked out ??

Ans- the margins has not peaked out it is going to increase as they are now focusing more on good-high margin business.

▣ Q3 What if raw material priced goes up ??

Ans – they have benefit of bang overseas as they buy from them raw materials and they have also markup with myntra too certain levels.

➤ Q4 What if myntra cancels the deal or partnership with them tomorrow??

Ans – Myntra will not do as there are very few vendors who passes all the check & they are in top3 vendors of myntra so myntra is now dependent on them.

▣ Q5 Why tax is 0%??

Ans – its due to earlier period losses and tax harvesting mostly from quarter 2 they will pay tax.

Q6 Why Opm suddenly increased ??

Ans – it is increased as thomas scott have decreased their b2b business which was of less margin and now they are focusing on more on myntra their own brand & namshi where margin is very good.

Margin

- ☒ In b2b 4-5%
- ☒ In Namshi (B2C) its around 35% mainly its high due to they sell products in dubai and there they can sell at more price.
- ☒ Offline stores of thomas scott 3stores are at breakeven,1 is doing 7% margins and 1 is in loss. But here margins will improve once they start marketing there brand more so people will get aware and buy.
- ☒ B2C (ecommerce brand) Margins here are 20%+

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Receivable days and logistics:

- ☒ Receivable days is 1 month in case of Myntra, plan to bring it down to delivery plus 7 days
- ☒ Flipkart has already moved to delivery plus 7 days
- ☒ Flipkart - 7rs discount on logistics
- ☒ Myntra is giving 5rs discount on logistics ☒
- ☒ Use an aggregator called Pro Ship for D2C (Tata uses Pro Ship)
- ☒ Delivery is by Bluedart Air for D2C - faster delivery leads to lower returns - Key metric is 2 day delivery
- ☒ 2 day delivery for Myntra is 27% (average is 8% for other vendor)

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Future plans

- ▣ They have increased their capacity and it will be available from q2.
- ▣ They want to be biggest vendor for myntra.
- ▣ They are currently focusing on myntra as there margin is more so once they reach 15%+ margin all above 15% margin will be used for marketing their own brand of thomas scott due to which there brand presence will increase and revenue will increase as currently they cant do heavily marketing as it will affect their bottom line.

Positives

- ▣ Promoter is very smart.
- ▣ Opportunity is very big.
- ▣ They are in top 5 of myntra vendor.
- ▣ Pe is at very reasonable level.
- ▣ Capacity expansion will help them to achieve their targets.
- ▣ Debt is very low.
- ▣ Margins will expand.
- ▣ Pe re-rating candidate.
- ▣ As they are closing low margin business roe & roce will increase.

- ❑ Raw material they source from bang overseas which is their sisters company but they have also other suppliers and they are not dependent on one company.
- ❑ Recently they hired a senior manager from Shoppers stop (jaykar shettigar) .

Negatives :

- ❑ There will be always a problem of raw material price going up.
- ❑ Another problem is if myntra find other partner but its not easy to replace them so not a big problem if they do well.
- ❑ Company is not paying tax currently so when they will pay taxes profit will come lower.
- ❑ Sales is stagnant but I have given reasons already.
- ❑ Payment terms with myntra is for too long so they will required always working capital if they not find a solution for it.


You must read this thread of @caswapnilkabra sir I have taken some data from his and credit goes to him if sir have not posted this thread i would not understand the business and have not study it.
<https://t.co/ukVe1qo1sR>

@caswapnilkabra

Disclaimer :

- First of all its nano-cap company so risk will be high and its illiquid stock so be careful.
- My assumptions can go wrong and I can be biased so before investing do your due diligence.
- I am not Sebi registered analyst so before making any investment decision ask your financial advisor.
- There is no buy sell recommendation its just for a study purpose.

It takes lots of time to make a thread so if you like my work please share & repost it and please read the full thread you will get many things to know. Special thanks to @caswapnilkabra sir @PrathameshHirv3 sir @Alchemist1320 sir



Thank you very much!

Created by Preet Shah