"Aditya Birla Fashion and Retail Limited Investor Day Conference Call"

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Moderator: Ladies and gentlemen, we welcome you to the Aditya Birla Fashion and Retail Limited Investor Day. We wish to remind you that the discussion on today's investor day meeting may include certain forward-looking statements and must be viewed therefore in conjunction with the risk that the company faces. At this moment, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. At that time, you may click on the 'Questions' tab appearing to the left of your screens to ask your questions via text or audio. As this virtual meet is to discuss the medium to long term plans of the company, please restrict your questions to strategic questions regarding the business. The proceedings will commence with "Opening Remarks by the Chairman of the Aditya Birla Group, Mr. Kumar Mangalam Birla, who is also the Non-Executive Chairman of ABFRL." This will be followed by a "Presentation on the Company and its Strategy by the Management of the Company." Thank you. And over to you, Mr. Birla.

Kumar Mangalam Birla: Hello and a very warm welcome to all the investors and analysts who have joined us today for the ABFRL Investor Conference. Today, as we are connecting at a time of progressively increasing global optimism that signals that we are firmly on the path to normalcy. Two new vaccines received approval just over this past one week. And on the macro front, the Indian economy has officially turned the corner with the latest GDP print. And yet, the past year has been unprecedented in so many ways. Who would have thought that a tiny invisible virus would create havoc? The COVID-19 pandemic as we know has affected almost every industry though some have been more severely impacted than the others.

The fashion retail industry, one of the world's most creative businesses, was also severely upended, leaving iconic global brands and retailers exposed on the back of shutdowns. The impact was rapid, global, and frankly, quite brutal. But periods of turmoil have historically seen the emergence of champions. Personally, it has been gratifying to see our fashion apparel business out of this pandemic stronger, having fortified its balance sheet and leverage the power of digital technology. The speed with which the business has moved from a period of resilience to a phase of renewal is emblematic of the spirit that has guided the Aditya Birla group for over a century now.

You do know that as a business group, we have always believed that we are trustees of our businesses. And it is our role to generate significant shareholder returns and stakeholder value. We actively participate and engage with our stakeholders and have robust mechanisms to seek and incorporate your feedback. While our companies have been doing a fine job of this, I also thought it was important for me to get an outside in perspective on our businesses and get a sense from you of what we are doing well, and what we can do better. Towards this, I've met a wide spectrum of investors over the last few months. The experience has been I would say both energizing and enriching.

One insight that clearly emerged is the scope for us to engage more meaningfully with the investor community and help you understand our business models and our levers of value creation even better. This investor conference has been conceived to achieve exactly that.

Over the past 25 years, ABFRL has grown to becoming India's largest fashion powerhouse, with a categorical right to win across segments. This journey has been punctuated by a few bold steps and many patient but thoughtful investments. Pantaloons, which was acquired more than a decade ago is one such bet. It was viewed with skepticism by many in the investor community, but has today emphatically scripted one of the finest turnaround stories you will find in the fashion world. ABFRL has built an enviable bouquet of brands in line with evolving consumer needs. Its asset light business model continues to provide huge headroom for rapid growth. The Madura brand have shown tremendous versatility to remain relevant and contemporary by constant rejuvenation by extending the play in emerging categories. Pantaloons has significantly transformed its proposition, which is reflecting in its consumer traction, and financial outcomes. Our entry into new categories such as innerwear has been extremely successful and has catapulted us into a strong industry position in a very short period of time. We have also started to execute a clear vision for the ethnicwear market, which was not so far on the radar. With the recent partnerships, I'm confident that ABFRL will create a leading position in that segment as well.

While all of this reflects a powerful portfolio play, is also built on strong operational efficiencies, sharp consumer insights, and a sound financial model combined with judicious and disciplined capital allocation principles. I believe that each of these segments will generate strong healthy returns for our shareholders, while building leading positions in their respective market segments. Despite a proven track record of world class management team, robust operating performance over a long arc of time and consistently strong ROCEs, the market cap of ABFRL does not reflect the inherent strength of the business, or the quality of the brands, that in many ways are standalone engines of growth. While strangely, this becomes even more stark when compared to some of its peers.

This investor interaction today has been planned as a comprehensive response to all your inputs, questions and feedback. Today, ABFRL's leadership team will unpack a broad sweep of topics, from explaining the purpose of the company to articulating the strategic pillars of value creation, to sharing deeper insights on our future growth selectors to help you understand the conscious and decisive capital allocation choices that the company is making. The team will also be articulating for the very first time the company's five year growth plan.

I then now hand over to Ashish and the team to lay out the roadmap for this ongoing transformation journey. I wish to reaffirm the commitment of the company and our group to long-term shareholder value creation. I'm sure that you will find today's introduction, both insightful and enriching. And I look forward to many more conversations, and even more meaningful outcomes. Welcome once again.

Ashish Dikshit: Thank you, Mr. Birla. And very good afternoon to all our guests today who are joining from India. Good evening to people joining from Southeast Asia and very good morning to analysts and investors joining from Europe and United States. During the course of this next 60 to 75 minutes, we're going to take you through the story of Indian apparel industry, the journey of Aditya Birla Fashion and tell you how we see ourselves in terms of our past, more importantly, our future. As over a long period of time, ABFRL has been a pioneer in the branded apparel industry in this country. We have built some of the largest and the most loved brands and a portfolio of them. We have acquired and turned around large businesses. You heard Mr. Birla talking about Pantaloons. We have entered new segments and created strong positions in new categories as new markets and consumer tastes evolved.

And today, we have expanded our portfolio with entry into all meaningfully attractive segments of the market as we see the evolving consumer needs. With all this, what we plan to show you is how ABFRL is very uniquely placed in the industry and extremely well-poised to deliver long-term growth, profitability, return on capital and strong cash flows.

Starting with the industry itself, India is one of the largest consumption industry at close to $70 billion in 2020 and heading towards $100-plus billion in five years from now, it is not the largest one of the sectors of consumption baskets. What is even more important to note is that still a large part of the industries unorganized, close to two-thirds of the industry still unorganized though the rapid growth of organized brick-and-mortar as well as online is going to create a large shift towards branded players and organized retailers like ABFRL.

If you look at in terms of geography also, in terms of total retail spend, the top 24 cities of this country constitute to less than 30% of retail spending, which means nearly 70% lies outside. If you look at apparel market, particularly branded apparel market, the same cities contribute between 40% to 50% of the branded apparel sales, which reflects the amount of headroom that is available for brands to grow. There are other strong reasons why players like us have strong reason to believe that the branded play will be accelerated in the coming years. The demographic of this country, the well-known young population, rising affluence of the middle class, greater participation of women workforce, digitization, and most importantly, increase in brand consciousness and rise in aspiration of the customers is going to drive and create bigger and accelerated market for us.

Specifically, coming down to the industry itself, there are three large segments that this industry constitutes: Women's Ethnicwear is the largest part of the market, closely followed by the Men's Formalwear. That's been the situation for last few years and it's likely to be even for next five years, only followed by Men's Casual Wear. And the reason I highlight this is because for our presence, a lot of our strategies are guided by the size of the market and its attractiveness as you will see forward.

Let me take you through the vision that we had created and this was done nearly six, seven years back as we combine the two businesses to create Aditya Birla Fashion. We are here to satisfy Indian consumers need in fashion, style and value across varying locations in apparel and accessories. It's important to note that we will do it through strong brands, and high quality consumer experience both in physical and online retail. This vision has been our guiding principle, and in some ways are strategic. And what you will see following through is the strategic choices that we made coming out of this vision.

A quick recap of our journey. Aditya Birla Group acquired the 200 crores business in 1999, which in initial years mirrored the shape of apparel industry in this country and in some ways shaped it by expanding our brands into retail business. The next phase of growth came as we expanded out of the four brands and launched new formats both in luxury and value. But the most significant one was in 2013 when we acquired Pantaloons business.

Another milestone for the company was 2016 when ABFRL came into being with merger of Madura and Pantaloons business. The last three or four years have been significant for the portfolio diversification as we studied the market ahead in shifting consumer tastes. These reflected in strong numbers nearly 19x in 15 years with a CAGR of 21% over a very long period of time, similar in terms of EBITDA, growing at CAGR of 19%, again, over a long period of horizon. This resilience and quality of this performance and consistency is built around the portfolio of very powerful brands present across the entire spectrum, from value to luxury, that you can see. Our portfolio also addresses very strong consumer needs, Men's Formals, Women's Ethnic, Men's Casual, Innerwear, Kids and practically every other meaningful consumer categories that exist, built around foundation of very strong brands, which we continue to add as we go forward.

Building distribution in India has been a trick that very few companies have mastered. We have nearly three decades of quality experience of building very, very profitable and strong distribution. 3,000 outlets of which 350 large format stores in Pantaloons, present across nearly 25,000 multi-brand outlets and virtually every department store for leading eCommerce players.

And let me then come to the point and portfolio since it comes up in several conversation, it came up in several interactions Mr. Birla also referred to. Diversification is a conscious choice which is guided by our vision. We believe one, India has a very large growth opportunity in this segment. And we would be doing disservice if we don't play in the meaningful segments strongly. Also, in industry of fashion, there is a constant and rapidly evolving shift in consumer tastes. And it's important that business strategy reflects that.

And the reason we believe that we can win in the portfolio play emerges from five key points: The first and foremost being our rich legacy of building brands and businesses. Second, our design, product, supply chain and sourcing excellence that we have built with professionals over two, two and a half decades, something very unique and special to us. Distribution muscle that we've talked about, comes with our experience of Indian markets in great detail. But most importantly, the talent that we have been able to attract, build, retain and grow and something we are very proud of, which has really been the shoulder on which this business has been built. And continuous investment in what lies in future, whether it's technology, or sustainability programs as we speak today.

In summary, therefore, our success is built on very strong sustainable pillars of wide diversified portfolio of rich brands, strong enablers in the key functions of the business, and most importantly, governance, which is driven by Aditya Birla group system and the values and finally, in the foremost, the talent, which drives all of this. As we look forward, we continue to focus on our long-term value creation engines. And very briefly, I'll take you two important ones that we are embarking right now.

We're executing a comprehensive Digital Transformation Program, both for the front end of our business and inside in the back end of our business. Whether it's driving commerce, through eCommerce, omni channel, or building stronger engagement and affinity for our brands, through strong digital marketing, personalization programs, CRM, which is unique and specialization at scale. Equally importantly, we are using technology to drive strong efficiencies. And these are some of our business models, whether it's supply chain digitization, go-to-market, which we'll talk about later, use of technology in buying and planning in allocation, which is largely done now by machine, then by men, even in design and markdown management, they're using power of digital technology to make our company smarter, intelligent and more efficient.

Specifically on eCommerce, we have a three-tiered strategy. One is that a partnership with leading players and we are the leading partner of every large eCommerce player. This helps us in building wider and relevant assortment, extend brand into new categories and sometimes even launch pure online brands. We will selectively and we have started on this journey build few of our brands, very strong brand.com, which will be competitive and compelling for customers.

And finally and most distinctively as a strategic choice, we will build the leading omni-channel play for this industry. As we speak, we already have close to 1,000 stores which are connected through omni-channel play, both in terms of buying online and shipping from store as well as in the **(Inaudible) 18:30**. We leverage our distinctive advantage of strong brands, large customer base, wide network of course to actually execute winning model going forward.

We have also been on sustainability mission for now more than eight years, nearly 10 years. We started by launching a program called “Real” 18:53 which exemplifies our commitment to give back to society what we take from the environment. The program sits on wide legs, but covers sustainable products, packaging, green building factories, establishment, work practices and goes all the way to the supply chain, program which over a decade has been recognized as the leading one in the country as well as in this part of the world.

S&P Global Assessment rated us as Asia's Most Sustainable Company in Textiles, Apparel and Luxury Goods, and Eighth Best Globally. There are several national acknowledgement of the same journey.

All this has happened on the back end strength of very strong committed experience and diverse leadership team that we have built. Most of the leaders that you see here have experience between 25 to 30 years. Many of them in these industries and some from outside with great global experience of consumer industries. What you see here is merely the top leadership team. What we are most proud of and extremely confident of, is the talent that lies underneath in the middle management, the senior management of the organization, which gives us confidence that as we grow, capital and management will never be a thing that will constrain our growth in any way.

With that, I would like to invite Vishak to address and take you through the plans of our Lifestyle brands, which in many ways have been the bread and butter of this company for a long, long period of time. Over to you, Vishak.

Vishak Kumar: Thank you, Ashish. As somebody who joined this business as a management trainee 25-years back, it is my pleasure and privilege to take you through the story of Madura and the story of Lifestyle brands that are part of Madura. This story is a story of ever-growing versatile brands with very, very powerful brand equity, very, very well-connected with consumers, what's happening in the market, we are very, very clued in on in both cities, small towns, across regions, consumers, segments usage locations.

Also, want to talk to you about the kind of distribution model that we've created, which is both scalable and asset light, and with lots of headroom for growth.

I will take you through the economic model that we have built, which has delivered a consistent return on capital employed over years, and is projected for very aggressive growth in the years ahead.

And finally, I will also take you through some of the unique competitive advantages which are part and parcel of the Madura way of doing things.

First, the “Brands.” And for those of you who are familiar with the Indian market, of course, these brands, you've worn them, you've seen people wearing them, you've been proud of them. But for those who are not familiar enough with the Indian market, I'll also talk to you about some of these brands and what they mean to consumers, and how they pan across various segments in the market.

So, first let's talk about Louis Philippe. Louis Philippe is symbolized by the crest which is a symbol of excellence. It's a logo, which is amongst the most recognizable symbols in the fashion industry in this country. It's a logo which stands for perfection, stands for the kind of stuff that we believe has been doing. It's the brand which raised the highest on quality scores consistently as evidenced in our net promoter scores that we measure from customers. It's a brand where consumers love wearing it, actually, I would also say love counting the brand. So on Louis Phillipe, we've been an extremely strong brand of performance, some of the iconic lines like Permapress, Gods & Kings, ATH Work are part and parcel of that business. We also have a very strong casual line, sports line, denim line, and in recent times Athleisure and Active as well. So you can see that the brand has been able to very successfully spread across different customer segments which are relevant in the marketplace.

There's Allen Solly, which is the original Friday Dressing brand, which to us is our driver of smart casuals for the market. We have a very, very exciting range here as well, of casuals, of denims, of sport, and recently introduced the Quirk, which is quirky officewear. We've also gone into Tribe, which is Youth Lifestyle. With all of this, of course, it's a predominantly casual brand. 95% of business is casual. But we do have a very strong, a small formal portfolio as well. It's a brand which is symbolized by the Stag, again a very-very playful, unconventional symbol which is very, very well recognized in the marketplace. This is a brand which also pans across men, women and kids. And as we've grown in the portfolio, we've also managed to create a very-very strong franchise with the women's and kids businesses as well.

Then we have Van Heusen which is amongst the world's largest shirt makers. It's a brand which has stood over decades for various innovations right from the invention of the collar to various other product innovations that have ruled the men's apparel business. Many of them in India is symbolized by the power markets. It's the brand which has worked hard to make professionals fashionable. It's a brand which is the market leader in informal, in party, and ceremony, in fact, V Dot is the line which cuts through party and ceremony. It's also the market leader in the suits business, ceremonial business. We have in recent times also extended to Flex, which is active wear. So as you can see here, again, you have a very complete portfolio of very, very innovative products, driving form and function. It's a brand again which spreads across men's and women's.

We have Peter England, which is by the way India's largest shirt volume brand, which is launched as the Honest Shirt, and international quality at Honest to Goodness prices as a promise. We've worked hard to bring alive authenticity and trust in our relationships. It's a brand which has also pioneered some of the work in small town India. And the kind of connect that we've been able to build with consumers in urban India, we've been able to create a similar success story in small town India, and perhaps also enjoys the largest BBO exclusive brand network in the country.

I also want to take you through some of the things that we have done to stay constantly evolving with consumer trends. If I look at financial year '10, we were a predominantly formal business with two-thirds of our business coming from formal wear.

We saw it right then that there is going to be a significant change in the way this country works. And there is going to be disproportionate growth in casual wear. We were able to leverage that growth with sub-brands in each of our house of brands. And we were able to grow the casual business disproportionately even as we continue to grow the formal business. With FY'20, we were at 59% casuals. And in recent times with COVID, we have only been able to accelerate that further and we have further strengthened our casual portfolio.

I also want to tell you that even the formals that we sell today is what you would call new formals or new expressions of formals, whether it is with more modern expressions of formals, more multi utility formals, wedding formals. So we've also constantly kept pace with the kind of aspirations of India and created a line for them, which means that.

I want to talk to you now about our distribution and how we created an asset light model, which is very, very scalable and has lots of room for growth. So, if you look at our expansion, you will see that we've been very, very aggressively expanding. In fact, in the last few years, if you take away the COVID period, we've been almost putting up a store a day, aggressively expanding, primarily expanding through franchise partners. So, only 435 out of our 2,385 stores are the company CAPEX. We've had the privilege of working with some outstanding franchisees and we've built a network of franchisees who not only put capital and create great stores, but also bring local insights, great spirit of entrepreneurship into the business, which allows us to keep scaling further.

We've also added further ammunition to our regional network by making more and more stores, omni-channel enable, as we speak, we have 800-plus stores live with omni channel.

This chart will tell you there is lots and lots of headroom for growth in the Indian market that we are present in. For example, to give you a sense we have mapped out every PIN code in the country, to be able to figure out what formats and what retail stores will we be able to put up in each of these PIN codes. We have further then identified for the next five years, the potential markets that we have. To give you an example, Louis Philippe, which has currently 407 stores, we have identified 500 new markets for expansion. So we could almost more than double the Louis Philippe network over the next five years. Likewise, if you look at a brand like Peter England from 1,014 stores currently over 4,500, we see the potential to add another 2,000 stores to the network.

Another exciting last couple of years in tapping the Atmanirbhar Bharat opportunity and this was Peter England Red. When we saw that small town, India was growing with lots and lots of aspirations, extremely well connected to whatever was happening in big cities. Peter England went into an exclusive format for Tier-4, Tier-5 tons. This was an asset light model, 100% franchisee-led with the store being of a very high service standard, complete assortment, but extremely high value fashion at 999. The anchor price point at 999 was able to deliver immense value to consumers.

One of the secret sauce here was merchandise customized for local needs. As you know small town India is not one India, there are many, many Indians here and each market has its own unique needs. Of course, starting with a near 100% casual whereas the need to the kind of merchandise that one needs to create for different festivals and local occasions. So we built a line which was customized for local needs in each and every state and sometimes even within a state, different unique customized assortments in clusters within the state. The network was fostered using local entrepreneurship, which was brought in by our franchisees and their store teams. We've been able to go very hyper-local on marketing and merchandising. We've already put up 300 stores in this format across multiple states, gone deep into each state. The franchisees have made good financial returns with the payback within three years. So from the 300 stores that we have, over the next three years, we see ourselves expanding to 1,000 stores with a network of about 900 crores for Peter England Red.

Encouraged by the response of Peter England Red, we then scaled it further with another brand with Allen Solly with a format called Allen Solly Prime. This is something which has happened over the last few months. And we've been able to put up seven pilot stores in Andhra and Tamil Nadu, which have been able to create one more growth opportunity for the business which is small town India for Allen Solly. Again, we've gone deep into each state. For instance, we launched only in Tamil Nadu and Andhra and now we are signing up only in these two states. Of course, it's a higher priced product vis-à-vis Peter England, and yet we have found that with this strong powerful aspirational brand, with a great price value equation, we've been able to provide for consumers something which they love as evidenced by the pilot stores resulting in an average SPSF of 50-plus something which very few brands do even in big cities.

Again, the merchandise strategy, the secret sauce has been in terms of the kind of consumer insights and the local assortments that we've been able to build. Our teams have worked very, very closely in these markets and have built consumer insights, which helps us to create very, very relevant merchandise.

The franchisee model again, the financial model is a low discount model with actual merchandising, which basically only reduces prices on styles which are not selling well.

I will now take you through a very strong economic model that we've been able to build on the business. If you look at our financials, we have grown steadily at double-digit over years. We have had a profitable EBITDA track record and we see a lot of room ahead to be able to keep growing at double digits. In fact, if you take away the COVID period, our growth would be more around 14%-plus CAGR over the next few years, with again a healthy EBITDA of 11%, 12% and return on capital employed, which is 50%-plus, very, very consistently over a very long period of time. In fact, it's been a decade plus that you would have seen very, very healthy return on capital employed in this business. And this business has been generating cash; it's been generating 300-plus crores over the last few years. And so here is a business which generates cash and also still has a lot of room for growth and is able to scale up and we see plans to be able to scale up over the years ahead.

To talk you through some of our competitive advantages, why we are able to scale up like this, I think one of our biggest is the 12-season model. We were pioneers again in this to be able to move to cutting edge technology, to be able to reduce dramatically cycle times which as you know in the fashion business is measured usually in seasons, seven months used to be our own cycle time, now cut down to 45-days. We use state-of-the-art technology to create merchandise digitally, which basically means between our mills, our factories, our designers, our product managers, the entire chain of digital we create digitally, and hence it really makes it faster, and, of course, we are also able to book with our channel partners digitally especially during COVID, this was a real boom even when physically we were not able to reach our partners, we were able to book digitally with them. And of course now it helps us not only to reach with them, but to be able to create huge amount of freshness and new designs every month. Also helps us to work very closely with our mills to be able to create rapid responses in line with consumer feedback.

I also want to talk to you about our dedicated factory network. We have 10 strong factories, which again allow us very high flexibility to be able to address consumer needs in the market really, really fast.

As stated, some of the advantages of the 12 season model, it helps us to respond really fast, it helps us to customize, of course, it helps us to improve inventory returns, helps us to work better with our sourcing partners, respond very quickly to consumer feedback, and of course, allows us to connect digitally with our channel partners.

Digital is another strong competitive advantage for the Madura business. We've been able to already enable 800 plus stores as buy online, ship from store enabled. And in these stores, we have put very high standards for ourselves on how we measure ourselves on customer service. So the ship to delivery which means from the time you receive the order to dispatch is six hours. We've also measured various consumer experience touch points and continuously work to make it better. We've also moved to a much more intelligent machine way of making assortments of being able to create what is right for the market. And we have automatic replenishment system, which makes sure that anything which needs to be replenished and if a store has sold an item today, by midnight tonight, that item would be on a picking slip in our warehouse, and by nine in the morning it would be packed and transported by 2 in the afternoon. So it's a real-time process by which we do speedy replenishments. With technology light up our almost our entire inventory through our digital customers and being able to create a truly omni-channel experience. We also added one more strength to this experience with a hyper local experience whereby we light up for individual catchments, we light up respective stores in that catchment, for example, and Peter England Red, let's say in a town like Dindigul, Dindigul customer would be able to see that store inventory and we would deliver within four hours to the customer.

To summarize, the Madura, Lifestyle brands winning model is a strong and versatile brands. We've got an asset light, scalable, profitable model, financial model which allows for healthy growth, good cash flows and return on capital employed. A versatile business which has leadership across multiple product categories, and of course, very strong internal capabilities and channel management, in product creation, in retailing across the value chain. So that's it from me and I would now invite the CEO of Pantaloons, Sangeeta, to take this forward.

Sangeeta Pendurkar: Thank you, Vishak. Hello, everyone. Over the next few minutes, it will be my privilege to present to you the remarkable story of the largest brand in the area of Aditya portfolio, Pantaloons. This includes the strategy and action that got us to where we are, and our plans to accelerate our growth while delivering stronger than for our stakeholders. As many of you would know, Pantaloons is a 23-year young brand, which offers merchandise for the entire family and was acquired by the Aditya Birla group in 2013. Post the acquisition, the business faced some headwinds, owing to several process and control failures and the upswing of full management team. Consequently, growth in subsequent years was tepid and profitability remains low. In 2018, our consumer engagement work told us that Pantaloons was recalled by a large number of consumers, either reputed brands with a strong heritage, and it was remembered as a pioneer in fashion, and as a brand does brought in a large format fashion retail to India. However, the brands having kept pace with evolving consumers who are seeking freshness and fashion, updated trends and an enjoyable in-store experience. There we started our journey to recraft our consumer proposition and to reset our financial model. The turnaround story was spent on the following pillars. First, revamping our product strategy and store specialists. Second, re-energizing the brand that perceived to be a tad jaded. And third was establishing a sustainable, scalable and profitable store model. To support this, we tasked ourselves in building a strong organization with a diverse leadership team, and including new age capabilities, which will allow Pantaloons to continue to build in the future. The results of our efforts over the last three years have helped us significantly improve our financial. And there's a large opportunity that lies ahead of us in terms of the headroom for growth and profitability, gives us terrific confidence to invest in and scale up this business.

So when we are through the first pillar is the relevance, perceived value and quality of the merchandise is a key defining factor for an apparel player to succeed. The team at Pantaloons has made significant strides in improving the price value equation for the consumer over the last 10 quarters, and has redefined its private label strategy.

On the price value equation, the key drivers are firstly, improving the design esthetic, the fits and silhouette of the merchandise were redefined with a far more cleaner look, and with relevance for a younger consumer. Our key insight was that the consumer today is very discerning and is willing to pay more for good merchandise which is on trend and which fits well and close well on her. But she's not willing to buy a poor looking garment even at half the price and the same. The products have improved significantly and the fashion portion was up in order to be relevant for more passionate buying consumers.

Secondly, robust and agile, planning and supply chain systems are critical to optimizing inventory and to deliver fresh fashion to consumers. From introducing new ranges, only twice a season in the past Pantaloons consumers now have access to new style every fortnight. We draw upon an average more than 300 new styles every fortnight in our large stores.

Revamped supply chain and planning processes have improved both the freshness and availability of relevant merchandise for every store in line with the demand of that particular store. In addition, the delivery time from our warehouse to stores has been reduced from five days to two days.

These initiatives are focused on improving sell-throughs which is an important metric in the industry. Some are even that we have seen the full price sell-through has improved by 10 percentage points between autumn in the '17 and autumn in the '19, which means there is 10% less merchandise on discounts available for the same period.

We are confident that these initiatives, coupled with further investments in intelligent technology platforms going forward will improve the inventory turns and gross margins at Pantaloons.

Increasing the private label share is a key strategic goal for the organization. A key peg of this strategy has been our endeavor to sharply define and rationalize our private label architecture to have a clear focus on different consumer needs and occasion avoiding overlap. Over the last three years, the number of private labels have reduced by 20%, which in turn has facilitated a superior consumer experience and better store efficiency.

To cater to the evolving consumer needs and consumer preferences, we have worked with building a strong pipeline of new categories and labels. The PEOPLE brand was integrated into Pantaloons and the launch of Candies in FY'20 helps us improve our offerings to the young consumers. We have further enhanced our ethnic portfolio by launching Saris with a very modern take on this timeless product category. We look forward to launching a premium ethnic label in September '21, as casualization of fashion gains prominence, we are gearing up to launch an athleisure label and the casual menswear label in the next financial year.

Expansion apart from apparel to lifestyle categories is also a key pillar in strengthening our private label portfolio.

Home category was launched in February '20, which despite the pandemic, has seen an encouraging response. The plan is to strengthen our play in home, in accessories and beauty and cosmetics. With this plan, we are on course to shifting our private label share from 61% to 75% in FY'25.

The next few slides are visuals of some of the new launches that I have talked about. Candies and PEOPLE, the two labels for the younger audience. Saris with a very modern take and Living Scape is the label that announced the launch of Pantaloons into the home category.

Moving on to our second pillar, which is about reenergizing the brand. There's two parts to this which is the new positioning in imagery and refreshing the retail identity.

The first task for us is redefining the brand itself. With a new working positioning of five year change, all interventions have been focused with building a young contemporary and a vibrant brand which is what the consumers are seeking today. The marketing spend for Pantaloons were doubled in FY'2019 and to target a younger consumer. A large part of the spend was spent on digital marketing, which has helped us to engage with our consumers in a more effective manner, encountering them in their digital journey in a very planned fashion. Our digital campaigns have helped us improve salience, and have helped drive traffic to our website as well as footfalls to our store.

One of the strongest assets, Pantaloons has is a 16 million strong loyalty program base of consumers. Extensive use of analytics, and personalization as a platform has helped us harness the power of this customer base. Pantaloons today has a capability of sending bespoke and personalized message based on the past shopping history of the consumer to every single consumer.

The second part of the brand was new retail identity. As all of you would know, in fashion retail, the store is the brand. And our teams have worked relentlessly over the last 24-months to roll out a new retail identity. This will help us infuse freshness and vibrancy as well as improve the overall shopping experience by way of easier so navigation and usage of technology. We launched five stores to the new retail identity and many more are in the pipeline. This is based on international benchmark and to bring it to light for you, here are some of visions of the new retail identity. Great amount of details on how this section for navigation, fantastic movement, texture, and interactive file room and a very modern denim section is what you see on the screen.

Moving on to the third leg of our strategy. This was to ensure that our business model is scalable, and we establish our store economics to give us the confidence and find the algorithms to plan our distribution process appropriately. Over the last few years, Pantaloons has opened 200 stores across different town classes and geographies. As we have improved aspects of our merchandise, supply chain, planning and brand, we have seen a steady improvement in our store performance. The company owned and accompanied on stores today deliver a strong ROCE of 30% and are profitable from day one and the returns improved significantly as the stores mature. We've honed our store model to make it relevant across various town classes. Metros with a high composition of legacy stores deliver the highest ROC **(Inaudible) 47:37** of 34%, while Tier-1 and Tier-2 towns delivered ROCE of 28% Tier-3 stores largely comprise of younger stores, however, their returns too are very attractive. A very similar healthy ROC witnessed in stores across sizes and vintage too, thereby establishing a strong store economic model and giving us the confidence to accelerate our expansion plans.

With the rising middle class, rapid urbanization and increasing penetration of internet and social media, we expect demand for fashion to be very strong in smaller towns. While we will continue to drive penetration in metro and larger cities, Tier-2 and Tier-3 towns remain a key pillar of high financial strategy. Therefore, we plan to open 250 new stores in the next three years across 100 new towns with large part of the expansion plans in Tier-2, 3 and 4-towns.

COVID has accelerated the shift in shopper behavior and shopper journeys, with large number of consumers, shifting their purchase to online channels for the first time. Fashion as you would know is the second largest category will come. Our online business has grown 3x in FY'21, as we have responded with agility to the shifting consumer demand, we expect the online channel to continue to grow rapidly, eventually contributing 8-10% of sales versus 1% pre-COVID.

We've already made significant strides in turning our stores digital. More than 60% of our network is already omni-enabled and is driving a large share of our sales on pantaloons.com. We rapidly innovated during the lockdown to launch social commerce, and we are convinced that this channel which offers great convenience to the shopper will gain significance going forward.

We have plans in place to strengthen our partnered eCom business with omni-channel enablement and strong delivery and service standards. Simultaneously, we are building a new website and a new app to provide a distinctive consumer experience going forward. And having an integrated experience between online and offline is one of the big bets for the future for Pantaloons to succeed.

Given that our ambition is huge, it is critical that we build an organization that affects the future. While there are several initiatives around building strong talent and building a strong culture, which have been put in place over the last two to three years, we are focused on one fundamental objective today, which is the digital transformation at Pantaloons. The digital transformation is planned across the value chain, and it is no longer about building a capability, but the way we look at it, it is a way of doing business. Intelligence systems and platforms to help us design merchandise efficiently, with shorter time to market at the back end to platforms which integrate the online, offline experience of the shoppers, to enabling our talented employees to be digitally enabled, to facilitate collaboration and to drive productivity are all in the work. Data and analytics is the capability we are investing in. With proven store economics, we are confident we have a robust financial model which has improved over the last few years, and we see it trending even further as we start seeing the full impact of our strategy.

Pantaloons has accelerated its topline and like-to-like growth over the last few years. In the last three years, the top line CAGR is 13%. Strong retail expansion, backed by strong L-to-L growth trajectory has helped significantly improve the business profitability. The EBITDA margin has improved consistently from 4.9% to 8%.

We're confident that with a sound strategy, this growth is only likely to be accelerated. As a result in the next five years, our growth is likely to witness a CAGR of 15% to 16% despite the COVID setback in FY'21, leading us to becoming an 8,500 crores organization by FY'26 with the further improvement in EBITDA margin, double-digit loss of 10%.

Over the next five years, we expect the business to cumulatively deliver almost over Rs.2,100 crores in operating cash flow, enabling us to fund our expansion by investing Rs.1,600 crores back into the business, and yet reducing net 500 crores in cash and delivering a high ROC in excess of 40%.

And, in summary, with the outline strategy, with the five pillars that I have talked about, we are confident about accelerating our growth trajectory and transforming Pantaloons to becoming a strongly loved brand by our consumers with a distinctive and seamless online, offline experience and a highly valued fashion retail brand. Thank you very much. With this I hand over back to Ashish.

Ashish Dikshit: Thank you, Sangeeta for the presentation. And we now move to some of our currently small and relatively new businesses. We segment these businesses into four key categories. The first one is the innerwear, which is now a broader business which is innerwear, athleisure and active business. We'll get to need to talk to you about both the opportunity, our current success, and our plans. We will then talk about our two brands, which reflect the Young India in Forever 21, American Eagle, which will also take you through a small but a beautiful and a resilient and growing portfolio of superpremium segment which includes the Collective and some of the international brands at the super premium end.

We will finally close by taking you through our entire ethnicwear strategy, something that we have taken on recently, and give you a sense of what we see the potential in that. So let me begin by inviting Puneet to take us through the innerwear journey.

Puneet Malik: Thank you, Ashish, and Hello, everyone. I will take you through the journey and future plans of the innerwear and athleisure business, the industry disrupter and the business which is at the cusp of large value creation opportunity. It's a very large organized and profitable market, which is driven by premiumization and growth of branded segment. In a very short time, Van Heusen has emerged as a clear number two player. And the business is built on five strategic pillars. A very strong and aspirational brand, a very strong product engine and an innovation culture, which allows us to deliver differentiated and innovative products. Multi-channel deep distribution strategy which is supported by an asset light scalable model and a very strong category creation engine which allows us winning entries in multiple categories at breakneck speed. The business is now poised for explosive growth and profitability. And we envisage building a 1500 crores business by FY'26 with 15% EBITDA.

I'll take you through the market now. It's a large $9 billion market, which is expected to grow at 12% to 13%. Large part of the market is still unorganized and is driven by premiumization and growth of branded segment. Last but not the least, industry structure allows strong profitability.

We saw five clear opportunities for market entry through Van Heusen. A large unorganized market, strong consumer pull towards aspirational brands, profitable industry structure, most players offering basic undifferentiated products and hence opportunity for innovation and a strong right to win through Van Heusen the aspirational positioning and natural adjacency.

As we entered the market, in a very short span of time, we have emerged as a clear number two player. We launched the business in FY'17 and we have scaled it up to Rs.280 crores in a short period of three years. From 1,000 multi-brand outlets to 20,000 multi-brand outlets, from zero exclusive stores to 45 innerwear and athleisure exclusive stores, from about 100 department store doors to 500 doors.

We built our business on five differentiated pillars as I explained earlier. So while we were studying this market, we saw that there is a strong pull for aspirational brands. Van Heusen is a very powerful and aspirational brand. And over the last few years, we have amplified the brand strength through aggressive 360 campaigns, across ATL platforms, BTL platforms and digital platforms.

We also saw that the market is flooded with basic products, and there is an opportunity to differentiate and innovate. And here we decided to leverage a proven product expertise. We did extensive consumer research, figured out consumer pin points and launched many innovative and differentiated products in menswear, few examples are antibacterial innerwear and men's wear, women's wear, breathable cup bras, no slip strap bras, and this has created a very strong leadership position for us in the market. We also entered into strategic partnerships with best-in-class manufacturing facilities across the globe which keep us at the cutting edge of the technology and also keep feeding our innovation pipeline. We've created a three layer product architecture which allows us to extend the brand into super premium and premium segments while building our share in the mid premium segment.

Over the next few slides, you will see some of the winning product offerings that we have created in a very short time.

So while we had an aspirational brand and a winning product proposition, the next natural thing for us was to look at leveraging our proven distribution expertise to build a deep distribution strategy across channels.

In trade, we have entered 22,000 multi-brand outlets in a very short period of time and we plan to reach about 50,000 outlets over the next three years. In retail, we have three winning retail formats and each format can be extended into a very large business. First one is the men's and women's store. Second is the women's exclusive store. And the third one is Active and Athleisure store. All these formats can be scaled up through an asset light franchisee-led model and we plan to open about 500 stores over the next four years.

We have leveraged Van Heusen superior positioning and entered 500 doors across department stores again in a very short time. And we will continue to increase our reach and penetration here and ride on partners expansion.

E-Commerce is a channel where we have gained share the fastest. We are clear number one in few categories, and we are again a clear number two in few others. And we are confident of building a leadership position across platforms in a very short period of time. With this, we have a multi-channel asset light deep distribution engine in place.

While we were building this distribution, we also saw opportunity to extend the brand into multiple adjusting categories, which could ride on the same distribution network. So we decided to leverage the strong legacy and heritage of product creation ability and innovation ability of our company. And we have entered into multiple categories after launch of men's innerwear in FY'17 in a very short time. In order to further build on the brand traction, create a comprehensive offering and increase our strength in the market, we entered the women's segment in FY'19, again with women's innerwear and extended that to multiple adjustment categories in a very, very short time. In every single category, we have created winning product propositions which has given us a strong leadership position across these categories, and also has opened our opportunity to grow by many folds. This was our journey so far.

Again, to summarize, the business is built on a very strong aspirational brand. It is backed by a very strong product engine and innovation culture which delivers cutting edge differentiated and innovative products. It is supported by a multi-channel deep distribution strategy, which is again supported by an asset light scalable model, and it is backed by a very strong category creation engine, which allows us winning entries in multiple categories at breakneck speed. This will allow us a very strong position in the market, which will lead us to build a business of about 1,500 crores by FY'2026 growing from a base of about Rs.280 crores in a short period of time. And also allow us to deliver outstanding financial performance, a business which will deliver about Rs.1,500 crores with 15% EBITDA and about 50% ROC. We would need a cash infusion of about Rs.100 to Rs.150 crores to achieve this scale, but not to miss the key highlights. The business is reaching critical mass. It's highly scalable. It's a low CAPEX model. It's a high ROC business, and the business is expected to break even in FY'23. Last but not the least, there is strong headroom to grow even further. Thank you very much.

With this, I would hand over to Vishak to take you through the global brands in youth fashion business.

Vishak Kumar: Thank you, Punit. Let me take you through first the youth fashion brands. I'm sure all of us are very, very familiar with Forever 21, an iconic global youth brand, which has been very, very powerful across the corners of the world. It's a brand which went through troubled period globally, and it affected our own business here as well for some period of time. Happy to tell you that things after that challenging phase have improved, and we've now got a very good equation with a new parent company, and we've been able to create an understanding with this parent company which makes it a very competitive royalty, long-term agreement and 100% ability to produce locally. So with all of this, we can see now a very powerful business for young fashion or young women and men across malls and high streets across the country. It's a business which hence is very, very scalable. It's in a value segment, a segment which we understand very well. It's in markets which again we understand well with very strong relationships with more developers and landlords, we should be able to scale this strongly. It's a business which should turn EBITDA positive next year itself and is expected to be a positive EBIT and cash flow the year after. Free cash flow required is just about a positive Rs.10 crores which means that in year ahead, it is going to generate cash for the business. The hard part on Forever 21 in that sense is done. And we are looking at now a period of scaling up this brand.

Moving on to American Eagle. You are aware that this is again an iconic Denim brand. It's amongst the top Denim brands in the world. It is the largest Denim brand in the US. It's got a very powerful symbol of the Eagle. It's very, very sharply positioned and people swear by this brand. We got this brand and we started small, we piloted, we figured out our sweet spot for this brand. And I think now we are fairly well poised to be able to scale up this brand. We will scale this through a combination of BBOs, department stores, shopping shops, as well as through our strong eCommerce presence. So we do hope that at least in the markets that we operate, we can be in the top three Denim brands in the next five years. The business should turn EBITDA positive next year itself and is expected to consume about Rs.10 crores of cash over the next five years.

Finally, I'm going to talk you through another very, very exciting business. Ashish said that this is a very sweet business, it's a business whose time has come. We have figured the model, we have figured out the right assortment, we've got some of the best brands which work very well. As you know, we have a model called Collective, the Collective is a luxury retail format, where some of the best brands are housed. It's a model which is already even in COVID times turned EBITDA positive, and hence we are very-very confident that this is the business which is now very well poised for scale up. It's also the preferred anchor luxury brand for most malls. And we even look at scaling up with malls as we go ahead.

We also have a Monogram business with Ted Baker, with Ralph Lauren, Polo Ralph Lauren with Fred Perry, Hackett. These are again brands which have now created a very nice sweet spot, although it's relatively smaller business. But these are poised to be profitable businesses for the network. So if you look at the cumulative free cash flow, that is likely to be required for this business, it's less than 10 crores. So if you add American Eagle, Collective and Forever 21, we will no longer require any cash, in that sense, it should be self-sufficient between these three businesses. The business in fact is expected to be EBIT positive next year and for Collective and Monograms should be up FY'23.

Another important thing to see here is the "Powerofcollective.in" which is our website for luxury brands. Again, it has scaled up fully and has tremendous potential to be a unique luxury eCom player. So that's it from me on these international brands and businesses. I now would like to give it back to Ashish to take you through the ethnicwear story.

Ashish Dikshit: I will now take you through the ethnicwear business, the latest one in our portfolio. And while all our businesses are exciting, where we stand in the journey of this business, this is truly a very exciting start of a long journey. We have started with a clear vision to be a leader in this market. And I'll take you through why we believe and how we believe this leadership could be achieved and how attractive would it be for us. A route like our parent company's vision is to be able to win through portfolio of very strong brands.

Quick sense of opportunity. I talked to you about this in the beginning of the presentation. Ethnicwear is nearly 30% of the apparel market, with women's ethnicwear, being the single largest segment in the Indian apparel industry today and even five years hence. The branded and the organized part of the market is about 3.5 to 4.5 billion out of 20 billion, and that's growing at 15%.

One of the interesting and very unique characteristic of ethnicwear market is the shape of the market. Most consumer categories operate with a paramedical market with a very narrow and small segment at the top and a large base. The branded ethnic market because of the nature of the category operates with nearly a third in the market lying in the two luxury segments. As you know, this is dominated by some of the best designers who have built their brands and business over a long period of time, and each one being unique in that sense. The premium market has several established brands built over the last 10 to 20 years. And of course there is a value market in the mid-market which is largely dominated by the private brands of department stores and other smaller brands.

The reason we are excited to play in this category is not just its current size, but because we deeply believe that this is where the consumers are moving. There is a visible and marked shift in the way ethnicwear category is seen in this country. And it's poised for rapid acceleration from here on. Many ways ethnicwear represents who we are, and increasingly a more confident Indian is moving towards ethnicwear more important occasions. It helps us connect with the roots. And you see this in society where more and more occasions are getting asked for ethnicwear. Most important of them is really the wedding, which is the biggest consumption and I would say the capital expenditure item in any human being, particularly in India's and ethnicwear is all set to gain a large part of these markets. And therefore, we looked at and created a strong, meaningful rationale for ABFRL. We believe that a sizeable and still evolving market and therefore there's an opportunity to build scale. We have earned the right to win by carefully and diligently learning this category both in terms of consumer understanding product and supply chain in Pantaloons where we sell close to Rs.800 crores of ethnicwear. In the long term, we believe there will be a lower competition in this category with very few sizeable players, and clearly no international competition. It's a vacant space for any player to have a comprehensive play because existing players play in one category or uniquely positioned only for one category.

We believe with strong legacy of history of building businesses and brands and distribution, it provides a strong platform to build meaningful to play in this category. Accordingly, we have laid down a clear and distinct strategy to win in each of these segments.

In Luxury, as you have now known, our plan is to invest in established aspirational designers. And I must admit that we have got two of the best that this country has ever produced. The affordable luxury, we want to take that same partnership and extend it through brand extensions, and launch thread designers as we go forward.

Premium part of the market, we believe is more apt for an organic play. We have the experience of Pantaloons in terms of category, and a playbook of Madura in terms of how to scale up a branded business. The value end of the market however will continue to be played through Pantaloons.

This is our portfolio. We started with the partnership with Shantanu & Nikhil which is a very strong super premium luxury brand in the men's side, which we have extended recently into SMM in the bridge to luxury pet segment with three launches in this year and plans to expand rapidly. Premium foray began with Jaypore in 2019, which is an artisanal brand, and of course our play in values through Pantaloons. In last few months, we have expanded our luxury play with adding Sabyasachi and Tarun Tahiliani to our portfolio of designer partnerships and three of them, Shantanu & Nikhil, Sabyasachi and Tarul Tahiliani probably capture the cream of Indian luxury design market.

For the premium segment, we plan to launch and we have recently announced a partnership with Tarun, through a separate company in which we hold 80% stake to launch men's ethnicwear brand in the premium segment, which is a large and growing market. And for the women's premium side, we will be launching a brand in August, September this year. With these two, we will be completing what would be a most comprehensive portfolio and some of the strongest brands in this category to build into a large and meaningful business.

This is a reflection of a strategy in numbers starting from scratch in FY'19 where we had no business, in next five years, we plan to build a 2,000 crores business which will be profitable, margin ranging from 11% to 15%. We think to build a business of Rs.2,000 crores from here onwards with all the investments that we have made. We will require only about Rs.300 crores in growing this business because of intrinsic profitability that business inherently have. The business to be EBITDA positive as a full business segment and free cash flow positive, EBITDA positive by FY'24 and free cash flow positive by FY'25. So that's a strong plan for entering a new category and we believe that there is a leading position to be taken, which we are well equipped to go into.

In summary, if you have heard all our businesses, really, at ABFRL level, our strategy comes down to one, grow our core businesses, both Lifestyle brands and Pantaloons, you've seen through Vishak and Sangeeta's presentation, we have now a very well-tuned fine operating model, a strong trajectory of growth is visible, and we just need to execute that diligently. We've also enriched our portfolio in line with how the market and consumers are moving and build meaningful presence in innerwear, casualwear and super premium, and we will rapidly score these businesses. Ethnicwear is a standalone new opportunity, which we are very excited about, and that would complete our portfolio as far as the business is concerned. All these red and play choices are also backed by a very strong efficient model, which helps us right to win through asset light growth model, strong agility, you saw that in several presentation in design, merchandising and supply chain innovation and product, and fundamentally a very strong financial model, with intrinsically high ROC in every business that we enter, we are able to turn that over a period of time into a strong cash generator. We have also taken you through our future-ready investments, which keeps us always ready to move forward through investments in digital technology and sustainability.

At this stage, let me now bring in and invite Jagdish to take you through the financial picture over the next four to five years, our strategy, our goals and targets and our ambitions across various segments.

Jagdish Bajaj: Thank you, Ashish. By now, we have explained in detail, how well placed ABFRL's portfolio in this large growing apparel market. Now, let me take you through financial numbers arising out of implementation of our various adopted strategies for just starting businesses.

To start with revenue, the revenues from our Lifestyle business has grown at a CAGR of 10% between FY'17 to FY'20, is likely to grow at a rate of 11% to 12% and is aiming a revenue of Rs.9,000 crores by FY'26.

Pantaloons business, which has grown at a CAGR of 13% between FY'17 to FY'20, is expected to grow even faster at a CAGR of 15% to 16%. This business is expected to clock revenue of Rs.8,500 crores.

The new businesses which consist of innerwear, global brands, ethnic business, have grown at a CAGR of 23% between FY'17 to FY'20, will grow even at a faster rate of 32%. This segment is likely to clock revenue of approximately Rs.4,500 crores. The company's revenue which has grown at a rate of 11% from Rs.6,600 crores in FY'17 to Rs.9,100 crores normalized in FY'20, is further poised to grow at a rate of 15%. The company is targeting a revenue of Rs.21,000 crores by FY'26 with two of our main business clients, Lifestyle and Pantaloons will be having revenue of more than Rs.9,000 crores each year.

Now, let me walk you through the EBITDA Numbers. The EBITDA of the company in each of our business clients are also showing substantial growth. The Lifestyle business will see an EBITDA growth of 1.8x between FY'22 and FY'26 from Rs.550 crores to Rs.1,000 crores as opposed to a previous growth of 1.3x between FY'17 and FY'20. Pantaloons EBITDA is expected to see a growth of more than 3x from Rs.291 crores to Rs.900 crores versus 2.3x growth between FY'17 and FY'20. The new businesses face losses of Rs.125 crores in FY'20 and likely to have a positive EBITDA of Rs.550 crores for FY'26. To explain the FY'20 loss does not include Rs.40 crores one-time cost on account of conversion of PEOPLE brand to Pantaloons level, thus the company's overall EBITDA which grew 1.5x from Rs.476 crores to Rs.693 crores, in FY'20 will now grow at 3.4x to almost Rs.2,300 crores.

Now, let me elaborate a little more on our new business performance. Innerwear business revenue is aiming to grow at a CAGR of 32% from Rs.280 crores to Rs.1,500 crores. Global brands, revenue will achieve a CAGR of 24% from Rs.370 crores to Rs.1,200 crores. The Ethnic business which we entered in FY'20 will achieve a CAGR of 89, which means almost doubling every year from Rs.50 crores to Rs.2,000 crores by FY'26.

Thus, all our new businesses we clock in revenue individually about Rs. 1,200 crores s to Rs. 2,000 crores s in next upcoming five years. EBITDA, the size and scale in these businesses lines will help ABFRL to achieve an equally impressive performance. The inner-wear business EBITDA will grow from Rs. (-48) crores s in a FY 2020 to Rs. 225 crores s. Global brands, from a loss of Rs. 60 crores s to a profit of Rs. 100 crores s, and the ethnic business is targeting to have Rs. 2,025 crores s EBITDA. Therefore, we can say that the entire new business portfolio which we have developed over the past few years, will see an exponential growth in revenue and EBITDA.

Now, let us go through the return on capital employed and capital employed breakdown in each of our business. The operating capital employed, excluding goodwill for our Lifestyle brand, was at Rs. 772 crores, in March 2020 it will increase to Rs. 1,500 crores by 2020. Pantaloons, the operating capital employed will increase from Rs. 600 crores to Rs. 1,600 crores, and the new business capital employed will increase from Rs. 436 crores to Rs. 1,700 crores. Thus, the operating capital employed in the business will increase from total of Rs. 1,900 crores Rs. 4,900 crores.

However, there is a goodwill component of approximately Rs. 2,200 crores relating to business acquisition of Lifestyle business from Aditya Birla Nuvo, Rs. 600 crores, acquisition of Pantaloons of Rs. 1,160 crores and the brand acquisition Forever 21 and ethnic brands of Rs. 400 crores. Our Lifestyle business return on capital employed was at 45% in FY 2020, will now be at 50% by FY 2026. The Pantaloons ROCE will significantly increase or rise from 20% to 40%. And the new business, which has a negative ROCE, will see a ROCE to 25% in FY 2026.

ABFRL in FY 2026 will be clocking in a revenue of Rs. 21,000 crores, EBITDA of Rs. 2,300 crores, EBITDA margin of 11% and ROCE on operating capital employed at 35%. The consistently improving trajectory of financial performance is testimony to company's focus on profitable growth as reflected by our absolute EBITDA and EBITDA margins.

To sum up, ABFRL revenues will rise at a CAGR of 15%. Strong improvement in profitability, which is reflected in the EBITDA margin expansion of 360 basis points. To specifically highlight about the cash generation, company will generate cumulative operating cash flow for Rs. 2,000 crores between FY 2020 to 2026, this is after meeting the CAPEX requirement of the company which will range from Rs. 2,000 crores to Rs. 2,500 crores.

Post payout of taxes and interest of Rs. 750 crores to Rs. 1,000 crores, the company will have free cash flow to the firm approximately Rs. 1,000 crores. Company will be in a higher ROCE trajectory, going from 12% to 35%. And lastly, though the balance sheet has strengthened in FY 2021 by raising equity of Rs. 2,000 crores, but with significant improvement in operating cash flows in next few years, the company will add further strength to its balance sheet. The net debt targeted is to remain in the range but a max of 1.0x to 1.5x of EBITDA of the company.

Let me close by saying this, ABFRL has charted out a strong profitable growth journey, resulting into significant value creation for its stakeholders. Thanks a lot. And now, we open the floor for questions. Over to you, Ashish.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Tehas Shah from Spark Capital Advisors. Please go ahead.

Tejas Shah: Thanks to the whole team of ABFRL for taking out time for such a detailed presentation and sharing your thoughts and vision for next five years. And thanks to Mr. Kumar Mangalam. Birla also for sharing his time and thoughts on the company. Sir, it's a good initiative, I hope he continues with this.

So, first question is for Mr. Ashish. Ashish, so we have come a long way from where we started, and then even after listing the depth and the width of portfolio both have changed materially. So looking at portfolio today, do you believe there is any whitespace left in the portfolio which we need to fill organically or inorganically? And in that point, where do you see value retailing as a proposition within the portfolio currently today?

Ashish Dikshit: Thanks, Tejas. I see both a question and a suggestion in your question. So let me first start by saying, in Pantaloons, we have probably India's most democratic brand in this country. Its ability to operate in South Bombay, as well as in a country Uttar Pradesh, Bihar or interiors of Tamil Nadu and Andhra Pradesh, is quite clear and has been established as some of the numbers Sangeeta mentioned to you. We believe our larger opportunity is really in exploiting this wonderful brand, which has now been fine-tuned and a lot of improvements have been done in leveraging that. So as far as value opportunity is concerned, our go to position is really to leverage Pantaloons as the primary format and versions of it through customized merchandising, value proposition, assortment, etc., exactly like you heard Vishak talk about how Peter England was able to turn itself into Peter England Red or Allen Solley. Similar is the experiment going around in Pantaloons. So I would say that's our primary play as far as larger market is concerned, it's also in line with our ambition to build Pantaloons into a Rs. 10,000 crores plus business.

In terms of large white opportunities, clearly, our single largest opportunity, if we go back last five, seven years and if you go back to our vision, the two large pieces that we wanted to address over the last 10 years, every piece of our action will dictate, we had identified casual wear and women's wear as two large pieces. From 2010 onwards, if you look at all parts of our strategy with Pantaloons being sort of a new introduction in 2013, has been around casualizing Madura brands, building womenwear portfolio first in the Madura portfolio, then with Forever 21, and subsequently entering the ethnicwear trajectory. With innerwear, ethnicwear, I think we have two very large growth engines possible. At this stage, I don't see a very large white space, I think we are well covered as far as that portfolio is concerned.

Tejas Shah: Fair enough. This was very helpful. Second question is for Vishak. Vishak, good to see you after long, after COVID first time. So Vishak, you and Sangeeta both spoke at length about digital initiatives that we have taken within the company and within the divisions also. So, looking at the digital adoption that we have seen in consumers also in last one year, where do you see future of physical store expansion? And why is it still a very critical element of our strategy, or will it remain a critical element of our strategy?

Vishak Kumar: Hi, Tejas. Good to hear your voice again. I think it's a good question. And you need to recognize the following. One, this is a very under-penetrated country, where there is so much opportunity with just creation of retail supply to be able to deliver meaningful merchandise and assortments to length and breadth of the country. And I am not just talking about small town, even in big cities and metros and markets I think we are an under-penetrated country, and our effort has to continue to be able to address that.

There is a digital adoption and I think that is something which we should use as a force multiplier. As you as you probably saw, we have already enabled 800-plus stores as omni-enabled, and it's good to see that we are able to create actually further traction to these stores, it actually helps to in fact rotate merchandise faster, create a better value proposition to consumers as we go along. So Tejas, I see this as something which can be a nice positive force multiplier in the way we look at things, with a market opportunity being addressed with physical stores, and then doing what it takes to make the physical stores even stronger with a strong omni-channel presence.

Tejas Shah: Sure. And Vishak, in our region for 2026, I was just looking at, despite guiding for decent growth we are still conservative on margins, it seems at 11% only. So is it that incremental growth is not that operating leverage driven because it is largely forward driven and hence it would not come through or this reinvestment is required?

Vishak Kumar: Yes, one is, when there is partner expansion, there is also extra growth in all this. And I think the Madura business has so much, it's almost as if there is a large opportunity which we need to grab clean in that sense. So perhaps because of that we are seeing a reflection of that. And yet, Tejas, we are talking 11% to 12% EBITDA margin.

Tejas Shah: Sure. So basically, this model will require reinvestment and also expansion, both can be achieved by remaining at around this levels, in margin part? Hello?

Vishak Kumar: Okay, I thought you had summaries that for me, Tejas.

Tejas Shah: No, sorry. Okay, just a couple of questions. So Sangeeta just spoke about having Pantaloons aspiration also for at athleisure or innerwear, if I got it correct in that slide. So just wanted clarification, will it be an addition to what we are doing in Van Heusen?

Sangeeta Pendurkar: Yes, sure. I will first make just one point on your earlier question on the role of stores. While we have seen a huge shift to digital, I think we will see an equilibrium. And remember that fashion is a category, for a lot of consumers, is experiential. So we do believe that the two will coexist. We will see where the steady-state is. However, I think what is important as we look at our digital initiatives is that the role of our stores will have to be defined from store to store, right? There may be some new stores, there may be some stores which are there for salience and there will be all stores to serve the consumer digitally and with footfalls in the store physically face-to-face. So that was just one point I wanted to add, that it's not that the shift to digital will be so dramatic. There will be a state of equilibrium that we will see in the next year or two. And I think therefore, expansion of retail continues to be an integral part of our strategy, with the state of penetration of this market.

Coming to athleisure, this is not just an initiative, it is part of our strategy of improving our private label share. And as and when we see opportunities, and whitespaces to put up labels from the fold of Pantaloons, from the stable of Pantaloons, I think we will continue to do that. And athleisure, as we have seen, casualization is a big trend. We only have a label under the name of Agile, and we believe there is an opportunity to really get more to street fashion and therefore the whitespace for a second label.

Van Heusen, we continue to sell and that will be another brand that we will continue to sell. Because one of our objectives is to offer different offerings based on our town classes and based on our customers. And therefore, we see this as a large emerging category and hence to improve the private label share, we will have this, but we will continue to have our existing brands and Van Heusen is.

Tejas Shah: Very helpful, Sangeeta. Just if I may squeeze in the last one for Puneet. Across portfolio, we have played this segment portfolio-wise, so in innerwear we are actually going with single brand, and we have a lot of strong brands within Madura portfolio. So any plan of actually playing the whole straddle strategy there by launching, let's say, Peter England at mass end or Louis Philippe at very premium end in innerwear segment also, or we believe Van Heusen is the only vehicle?

Puneet Malik: No, I think the market is large and it is growing rapidly. But we also want to make sure that we build strong businesses and build scale in every initiative that we have taken before we get into the multiple other opportunities that we have. So I think we are very keen of building scale on this initiative that we have taken, and then there is obviously a possibility of looking at other brands as it's a long runway for us to go forward.

Tejas Shah: Sure. That's all from my side. This is a very good initiative, and thanks and all the best to the whole team.

Moderator: Thank you very much. The next question is from the line of Jasdeep Walia from New Mark Capital. Please go ahead.

Jasdeep Walia: Sir, I want your views on the women's fashion space, separately for women's ethnic and western fashion. Specifically, your view on growth in these categories. So let's say, if the branded apparel industry is growing at x, so as a category women's, at what rate would women's ethnic fashion and women's western fashion would grow in the next five years as per your assumptions? And within those two segments, at what rate would ABFRL grow in the next five years?

Ashish Dikshit: I will come in here. See, let me first begin by telling you the structure of the womenswear market. 75% of that market, if not more, is the ethnic wear market. And if you were to look at therefore western market, it's about 20% odd with other categories, sort of innerwear and other categories taking share. So first of all, ethnic wear is a very large market. The overall ethnic bread market, because of a large base at the bottom, may grow relatively slower, let's say, 10%, 11%. But it's a branded ethnic where we expect the growth to be about 15%. As you can make out through organic and inorganic means, we have laid out a strategy to build Rs. 2,000 crores business in next five years, starting from literally scratch. So you could see the growth rate that we have set an ambition for versus the market growth.

On the western women side, the market is relatively small. As I said, it's about 10% to 15% if you remove innerwear part. We believe, along with one or two other international brands, we have one of the finest labels, the most desirable brand in Forever 21. As Vishak mentioned, we are of course very keen to grow that rapidly, but it was important to get our model right. And last three years that's what we have done, we have actually resized the store, renegotiated the contract, learned the business a lot more. And as you can make out from the presentation that we had made; we expect to grow this Rs. 200 crores brand, today Rs. 160 crores brand into a Rs. 500 crores brand in next four or five years. So in both segments, our growth rate is way ahead of the market, which probably would be growing at about 15%, 16%. We have planned to grow our business from Rs. 50 crores to Rs. 2,000. And our women's market in Forever 21 from Rs. 150 crores, Rs. 200 crores to Rs. 500 crores. We also have women's business in Allen Solly and Van Heusen put together which is another Rs. 300 crores to Rs. 400 crores, we are growing rapidly. If you look at our results in last couple of quarters, we have announced growth rates of 30% to 50% in various periods of time. So that is another market that we expect to grow.

So if you look ahead five years from now, from a company five years back which was largely a menswear company, we will have close to Rs. 1,000 crores, Rs. 1,500 crores in the branded business on the womenswear, let's say, Rs. 500 crores from Forever 21 and another Rs. 700 crores, Rs. 800 crores from Allen Solly and Van Heusen. We are aiming for close to Rs. 1,500 off the Rs. 2,000 crores ethnic market from the womenswear segment there. And I am keeping out the Pantaloons business, which has a very strong women's proposition.

Jasdeep Walia: Got it, sir. Sir, so you seem very optimistic on growth in the women's ethnic wear segment. But the data which we have for few listed and unlisted companies, suggests that it's been very difficult to grow in this segment. So what have been the challenges in this segment? To me, it seems like the supply chain is too complicated for a large brand to emerge. So what are the challenges in your view and how are you planning to overcome them?

Ashish Dikshit: So, Jasdeep, a fair point, it's hard for me to comment on why others have not been able to grow. Clearly as you can make out through our ethnic presentation, we have a viewpoint on how this industry is structured, what are the routes taken. First of all, right from day one, as we entered, we have a brand portfolio which will be unmatched by any other single threat, every individual brand be it Sabyasachi, be it Tarun Tahiliani, be it Shantanu & Nikhil or Jaipur, leave alone the two new brands that we are talking about. First of all, we will have to build a brand advantage, something we have learnt to do over last 25, 30 years. As I said, the second piece of supply chain which we have now, I won't say we have mastered it, but we have understood extremely well over last five to seven years, in Pantaloons we design, source and sell a very large part of ethnic wear that anybody sells. So we have a deeper understanding, also, our designer partnerships are bringing more than two, two and a half decades of expertise and experience that they have. So we are really starting from competence advantage, we believe. We will add brand strength, which I talked about. And distribution is something that we have built as an expertise, as you saw across our various businesses. We think these three would be sufficient. And we are uniquely placed to play on all three of them.

Jasdeep Walia: Got it, sir. Sir, one final question if I may squeeze the last one. Sir, in your quarterly results, this time in Pantaloons you gave breakup of sales into women's ethnic wear, western wear, men's fashion. So what I noticed was that women's category seems to be more impacted in the last quarter, so what's the reason behind that trend in your opinion?

Ashish Dikshit: I would recommend let's not discuss the quarter performance. I think this call we want to address long-term issues on the industry. Our confidence in the growth of these markets is built around very fundamental consumer shifts that we are seeing around it, and you would agree with that. Sangeeta, if you want to just give a quick response to that. But I would request let's stay on the strategic questions.

Sangeeta Pendurkar: Yes. I think it's a simple answer. I think quarter three has a lot of festive sales sitting in it. And as lesser people stepped out, I think lesser occasions. So relevance of occasions is something that has gone down, with women not stepping out as much as yet, and festive was the other factor. But this is temporary, and we think it will come back soon.

Moderator: Thank you very much. Next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Thanks a lot for the opportunity. First of all, a very detailed presentation on the various businesses. Clearly, we have access to categories that have a stronger growth trajectory. My question was that, in this scenario where you have actually a lot of things to choose from, I wanted to understand from you, Ashish, how would you go about your capital allocation strategy? What are the metrics that you use? This is primarily given the relatively divergent requirements for, say, an innerwear space versus a premium luxury space. So wanted to kind of just get your thoughts on that, Ashish. Thank you.

Ashish Dikshit: Thank you for that question, Avi. I think it's a very critical question that we get asked, and today's presentation was primarily aimed to address that question. So be patient with me, I'll take you through the steps on our capital allocation.

The first and foremost, Lifestyle brand business has not needed a capital in the last 15 years, not Rs. 1 rupee in any year. It's a free cash flow generator, after taking care of all its growth needs, launching new categories, segments, sub-brands, retail formats and so on so forth. So our first and foremost point is that our Lifestyle business does not require capital. The second which is Pantaloons, which is from our trajectory a large business and on a strong growth trajectory. Till

FY 2018, and I would argue maybe till FY 2019, Pantaloons was at a level of operations where it needed, in early parts, at least from FY 2013 to FY 2018 we needed to invest a lot of capital in sprucing up stores and expanding the business. As Sangeeta has laid out, over the next five years, and it was also true for FY 2019 largely, but for COVID for FY 2020 as well, Pantaloons will fund its growth even if it were to accelerate its expansion plan. If there is an intermediate year in which a little bit of capital is required, that's all that would be there.

So first of all, two of our primary business are net free cash flow generating business. The question then comes down to the remaining businesses. Innerwear, I think we have invested close to Rs. 300-odd crores at this point of time, between Rs. 300 crores to Rs. 350 crores in last four years. Puneet's plan has shown you for taking the business from Rs. 300 crores now to Rs. 1,500 crores we require additionally between Rs. 100 crores to Rs. 150 crores business. So, a very small number compared to the overall business. Vishak took you through the international grants portfolio, Forever 21, American Eagle, the Collective, Ralph Lauren, Ted Baker, Hackett, everything. In FY 2021, these businesses, and I am talking of a COVID year which has just gone through, these businesses put together have been nearly cash neutral. Going forward, we strongly believe that by FY 2023 onwards, this business cumulatively will start generating cash, not a large amount. And therefore, once again, this business doesn't need capital for growth. The final part is our ethnic wear business, which is the one we have invested a lot of our capital, I would say close to Rs. 600 crores to Rs. 700 crores of our capital we have invested in the last 18 months in building a portfolio of some of the strongest assets that exist in this industry. Here onwards, from FY 2022 onwards, our estimation is to build a business from current level of Rs. 50 crores to Rs. 2,000 crores, we will need only about Rs. 300 crores to Rs. 350 crores.

So if you look, Avi, a company of our nature, it is fundamentally not the stage of the business where we have already made the investment, innerwear Rs. 350 crores investment is behind us, Forever 21 acquisition is behind us which we have turned around, Pantaloons has completely turned around, it's a strong cash flow generator now, in our ethnic wear business all the investments is already being placed. Which is why if you see the next summary slide that Jagdish had presented, he is talking about Rs. 5,000 crores of cash generation over five years, talking about Rs. 2,5000 crores or Rs. 3,000 crores to be invested in the CAPEX, which each of the businesses have factored in. And I am telling you cash flow after CAPEX. And therefore, capital allocation to that extent is not that large a question in front of us. We are clearly committed to doing each one of these businesses, and I think with the ambition that we have laid out, you heard Chairman talk about the large play that exists in this country in this market, our right to be a significantly large player, our operating model, our focus on return on capital. I don't think this is a question that will disturb any of our existing businesses. And we have the capacity to do each one of them in a focused and very aggressive manner. But in terms of their own cash requirement, I think it's pretty limited as you look at the size of the company good forward.

Avi Mehta: Okay. If I could just kind of follow-up on this. I was actually looking at it also from another lens, that this pandemic probably has weighed disproportionately on smaller competing brands in our space. I wanted to kind of just understand, because we have a very good history of turning around brands whether it is Pantaloons, whether now with Forever 21. So how would you kind of look at that opportunity or would you kind of look at, because you highlighted inorganic/partnership only in the premium end. Would you consider it even for the other subcategories, or that's not something that you are kind of factoring in right now?

Ashish Dikshit: Avi, I would address this question with a lens of history behind us. Look at every single acquisition of ours, be it Pantaloons in 2013, which was our first acquisition, we entered into a space where we did not have a presence. So, it was a vehicle that we picked up and we have built on it, and in last three, four years we have been proved it. Forever 21 was an attempt to enter young fast fashion women's category, again, a portfolio that we did not have. Our Van Heusen and Allen Solly targeting 24, 25-year-old women at work, Forever 21 is talking about young teenager and addresses girls from 14 to 25 is their primary segment. If you look at our latest acquisitions, Jaypore, Shantanu & Nikhil, Sabyasachi and this investments, Tarun Tahiliani, every one of them is marked by the fact that we did not have anything close to it ourselves in our portfolio, and these are meaningfully large opportunities based on very large shifts. If Pantaloons was shift from unorganized to organized and therefore large value segment, Forever 21 was shift towards young western wear to girls coming into western clothing, and which is trend which will grow over next 10, 15, 20 years. Our ethnic wear play is built around, as I mentioned, the large cultural and taste shift that is happening as more and more Indians are growing fondness and respect for the ethnic play.

So our acquisitions have been strategic, they have a long-term perspective and they fulfil very large strategic gaps in the portfolio. It's not to suggest that we will never do another acquisition, I think five years is a long time, we will look at opportunities. But every one of our play will be driven by our long-term strategy, need for a large play in some segment which we think is important or is evolving, and cannot be addressed by our own play. For example, men's casual wear, you saw Vishak's presentation, it is an opportunity that we have conquered with our own brand extensions. Innerwear is a category where we had no experience but we had the belief that one of our brands could be extended, we needed to learn the product, and you saw Puneet's presentation, we have done it. So we will mix very, very judiciously the organic and the inorganic. At this point of time, our belief is the premium ethnic wear as a market that we will be able to do ourselves. And we have taken small help from Tarun, with a partnership for him. And on the women's side, we are going alone as far as that part of the market is concerned.

Moderator: Thank you very much. The next question is from Richard Liu from JM financial. Please go ahead.

Richard Liu: Thank you for the presentation. I have two questions, one on the P&L side and the other one on the balance sheet side. The first one is with regards to Madura margin, the Lifetime margin that you all presented for FY 2026. I am a little intrigued, both from an absolute and a relative sense, from the point of view of the fact that you are actually projecting about 11.1% EBITDA margin for Madura Lifestyle in FY 2026. And I think Madura did about 12%, 12.5% in not so recent past. So, given the strength of the brand, given that it will be of a much bigger size, operating leverage, etc., why would you be projecting such a low margin for Madura in FY 2026?

And I also want to juxtapose this against Pantaloons, when you are talking about Pantaloons making about 10.5% margin in the same year. And given the fact that Madura is a brand business and I always thought brands are much, much more powerful than labels. And also, half of it coming from non-store related network, I would think that over time Madura would have been a much, much more profitable business as compared to Pantheons. So both from an absolute and a relative sense, can you help me understand this margin that you projected for FY 2026?

Ashish Dikshit: Great, Richard. I expected only tough questions from you, so let me try and address this. You are right, I think Madura has historically operated between 11.5% to about 12.5% for some of the recent past. Therefore, to that extent, 11%, 11.2%, that is reflecting is perhaps lower than the trajectory that we had for much of the years. At first level, we see the reflection of the conservatism with which we want to sort of commit to our stakeholders with a longer term view. But at another level, it factors in some potential disruption in the industry, the large growth of e-commerce creating some bit of margin squeeze. We believe that large part of our growth will be driven through this variable model, which Tejas was talking to Vishak about, which is, it's increasingly going to be a retail, so direct-to-consumer businesses.

We also believe that even five years later, our brands will be very small, individual brands will be about Rs. 2,000 crores, Rs. 2,500 crores. We have the power to imagine, to believe and to build Rs. 5,000 crores, Rs. 8,000 brands. If you look at the markets abroad, a $1 billion dollar brand is the minimum that Indian markets need to look at it. We would be investing even deeper at that point of time. So what we have factored in Richard is, in our sense Madura brands are not in the cash flow, sort of these are the stars which will drive growth over the next 15, 20 years. And we need to make sure that we are consistently investing. And as time grows, evolving, changing, and we have kept provision for all that in our long-term orientation, because you know how many models fail when you just linearly extrapolate things. We have been cautious about doing that. And we want to make sure that we factor in potential disruptions, need to tweak businesses, entry in to new categories like women's western, kids wear that we are looking at extending into other categories, potentially a slightly differential value chain if ecommerce becomes a larger part of it and significantly more investments in both digital and marketing at that point of time. It is possible that we will come back, because the operating leverage clearly is what you are saying is possible. Some of it is not maybe fully factored in, we will look at it as we get closer to it. But that is really what our view on the Madura side of the business is.

On Pantaloons, on the other hand, it's a more fixed cost business. Our stores have operating costs, as we go there is leverage at the company level that gross, which covers things like fixed overheads and marketing, like Madura, which is a more franchisee, therefore variable cost model, Pantaloons is largely a fixed cost model. And therefore, improvement coming in, the pace at which the GM flows into the EBITDA is much higher in Pantaloons business, both from improvement in product mix, increase in share of private label, and also the operating leverage because the fixed cost nature of the business allows that to travel much faster in Pantaloons business. I wouldn't look at both in comparison to each other, but I think, individually, I believe that both of them would be well placed with their peers in the industry. And we will still be looking to invest and grow at that point of time.

Richard Liu: Sure, I will leave it at that. But just that I was under the impression that Madura gross margin is at least 15 percentage point, if not higher than compared to that of Pantaloons. So when you are saying that both the margin converge, I was just wondering what's going to be the application of this 15 percentage point extra margin cushion. But I heard you in terms of what you said about FY 2026. And in the interest of time, I will probably just move on to my next question on the balance sheet, where you talked about a targeted net debt to EBITDA of about 1x to 1.5x and you are going to have an EBITDA of about Rs. 2,300 crores in FY 2026. So, are you talking about you still having a net debt of Rs. 2,300 crores to Rs. 3,500 crores in FY 2026?

Ashish Dikshit: No, Richard, I think I think that's not the correct interpretation of what Jagdish has said. If you look at our current projections, we had talked about this year ending with Rs. 250 crores without the transaction of Sabyasachi and Tarun. If we include all of them, we will probably be Rs. 700 crores to Rs. 800 crores. Over the next five years, we have indicated a cash generation of Rs. 1,000 crores after taking all the investments in new businesses, innerwear, ethnic wear and expansion and so on so forth. And therefore, to that extent, if you just look at and translate that number, it amounts to not having any debt on the books. What Jagdish has outlined is that over a longer period of time, which is five year is indeed a long period of time in terms of what could happen in this industry, as we take any other move, we will be guided by a principle that we should not allow our debt to go above 1, and max for a very short period if it has to go, 1 to 1.5. So it is almost a learning from past which we are going to use for ourselves as a guiding principle. Our current business plan does not actually indicate need for that going forward.

Moderator: Thank you very much. We will move on to the next question, which is a text question from the line of Aditya Soman from Goldman Sachs. So Mr. Soman has asked two questions. The first question is, any sense of what ROI you target at an ABFRL level? And the key drivers in achieving that ROI target? What gives you confidence that ABFRL can achieve higher than market ROI in the medium-term? The second question is, how do you decide where to expand the network? And what demographic or income thresholds help in determining potentials for brand or stores in a new location? Thank you.

Ashish Dikshit: So, Aditya, didn't have what I would do, I will get Sangeeta and Vishak to answer the second question first, by which time Jagdish will get his numbers together to answer your response on the ROI. Sangeeta, you want to go in or Vishak, you want to go in and just address that?

Vishak Kumar: So Aditya, basically what we do is, at a pin code level and then at a talent level we get the attractiveness of the talents in terms of population and in terms of multiple indicators of prosperity index. And that goes up to right from occupation of people there, the number of hospitals, schools, dealerships, the other surrogate retailers and so on. So it is a fairly elaborate exercise by which we arrive at an index for every pin code. On that basis, we decide what format of detail to put in that market based on our own past experience of the correlation that we have had with similar stores or the stores that we have already put in. So that's broadly the framework that we use in the Madura business.

Sangeeta Pendurkar: And likewise, in case of Pantaloons, I think, while we have the level of penetration in the market and a sense of which are the potential cities and what kind of growth is possible, I think just to arrive at that in a quantitative manner, there are various surrogate measures that one uses to assess the market attractiveness as the sharpest. And having defined that, I think, then, in case of Pantaloons where you see stores from 10,000 square feet ranging up to 50,000 square feet, 55,000 square feet as well, I think we have now got an algorithm to understand that in what kind of town class what size of stores actually works. So establishing the market attractiveness is the first step and then deciding what's the right format based on the knowledge and data that we have is what we use to decide our course of action on expansion.

Jagdish Bajaj: Aditya, on ROI, for FY 2020 it was 20%, if you exclude 2021, gradually we will ramp up our ROI from 12% to 15%, 18%, 24%. And the improvement is coming primarily from the three sources, one, the absolute profitability rising in the company; number two, tighter working capital, the working capital norms at all the businesses are implemented. And number three is that the new businesses like innerwear and global business, you must have heard from Puneet and Vishak that they will be converted from loss making to the profit making. So all these will add to my profitability.

A **Ashish Dikshit:** Aditya, if I can just come in, at a phase in life of the company, depending on how recent our acquisition have been, there are times when our ROI gets affected by at least the goodwill or the initial capital that comes in. I think there are two ways to look at it. One is, clearly as a company we need to manage our overall return on capital, including goodwill in double-digits, I would say that's one principal. We were there in FY 2020, but for COVID we would have been 15% odd, even with all acquisitions built in at that point of time. But I think I would also urge you to look at the individual businesses operating ROCEs, which is where we generate returns from the operations of the business through management efforts, because those are the longer term trends that we need to pick on. And all our businesses, whether it's Madura which is driven by always a perpetual 50% plus or ROCE business, Pantaloons which we have turned around from loss meeting to 25%, and heading towards 35% to 40%. Or even innerwear, where after deep initial investment we are turning out. So we look at individual businesses to generate cash flow and ROCEs. The company level ROE sometimes get affected by the timing of opportunities or acquisitions that we may have made. But it will be our endeavor to keep it in healthy double-digits. I think it's got impacted right now both with COVID coming in and a year of somewhat difficulty. But we think we will come back, our projections indicate about 25% plus with all acquisition built in with goodwill at this point of time four, five years from now, and 35% to 40% without goodwill. So those are the numbers that we have currently indicated.

Moderator: Thank you very much. We will move on to our next text question which is from the line of Nihal Jham. The question is, when you speak of the ethnic wear market, a big segment of the same is Saris. To target that sub segment are we looking at extending one of the brands or that could see another new brand being launched or acquired? And also a feedback on Peter England Red's pricing, especially considering a lot of players who have scaled, operate at a price point of INR 200 to INR 500. Thank you.

Ashish Dikshit: So I will let Vishak come in later for the question on Peter England pricing. On Saris, if you look at, I think you saw in Sangeeta's presentation, it is a market that we studied, we are not ignoring that. In Pantaloons, we have launched in top 30, 40 stores, and as we go forward, we will build both the supply chain and product understanding more deeply, and it's going to be a meaningful part. And I am sure we will learn as we go along. Even if you look at the top end, both are designers, whether it's Sabyasachi or Tarun, a part of their portfolio is Saris, but that's really at the top end of the market. At the premium end, as we look at launching our own ethnic web brand, at this point of time Sari is not an immediate part of that portfolio. But our intent will be to actually capture that market through the new brand that we are launching. And we are confident that with learnings at Pantaloons at the bottom where we learn about scale and supply chain, and aesthetics, design and pricing at the top end, we will be able to create a meaningful proposition in that segment with the existing portfolio of brands that we have. Vishak, on Peter England pricing?

Vishak Kumar: Yes, thanks Nihal. I think Peter England, as to give everybody a quick context, is in small town India in Peter England Red, starting at Rs. 699 and going on about Rs. 1,499 with the sweet spot being Rs. 999. The segment you are talking about which is below Rs. 500, in that sense doesn't really fit into the brand's positioning. The brand stands for a certain set of things in minds of consumers, which is very high quality at great prices. Now, that is something which needs to be consistent regardless of the markets we operate in, and we will do that. All fabrics, for instance, are mill-made high-quality fabrics, they go through same quality processes, we take our post-purchase quality scores very, very seriously. So, to that extent, perhaps there is an opportunity below Rs. 500 etc., maybe for another brands. For Peter England, we see lots of opportunity in the segment in Peter England Red that we operate. In fact, there are multiple more opportunities for products and usage occasions which we are trying to see how to make the Red model even stronger and viable for the market.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. His question is, on store opening in innerwear segments to 500 stores, will these all be company-owned? And the CAPEX required for this?

Ashish Dikshit: Yes. Hi, Gaurav. So, in our current network we have about 50 stores. Out of that, about 60%, 65% of the stores are franchisee-led and partner-led, only about 30%, 35% of the existing stores that we have are company-owned. And these stores also where we have invested just to establish proof of the concept and then get more franchises and partners interested in the business model. All our future expansion that we are looking at about 500 stores is largely partner-led. There will be very little CAPEX that will be required because we will open few flagship stores to build the brand and establish the concept wherever required, but large part of the expansion will be through the franchisee-led model that we have.

Moderator: Thank you. Our next question is an audio question from Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir: Thanks for the opportunity. And I must say, a very elaborate presentation, certainly it has given us a lot of different perspective and opened our eyes. I have a couple of questions, first, on the Lifestyle business. Now, correct me if I am wrong, but from what Vishak explained in terms of the locations and pin codes that have not been covered, and which are unfortunately over the next five years, seems like we could have more than doubled our stores from here. And, of course, you also very well highlighted product and brand extension that we have done to kind of grow even much beyond basically the growth rates that formerly where would have shown. And still, we are kind of in a building for the next five years 11%, 12% kind of annual growth. So, I mean, just looking at it from a point of view, the size of each of these brands, give or take about Rs. 1,000 crores, Rs. 1,200 odd crores, of course you would be the largest player by mark in each of these brands. But then, I mean, the way you highlighted market is huge, we want to grow through brands. And the point that it's a significant unorganized market, I mean, I thought when we are looking to grow the pace of store at such an accelerated pace, would you not think this 11%, 12% growth for Lifestyle is quite kind of conservative?

Ashish Dikshit: Ali, just one point, this 11% is actually tapered down and looking artificially low, because this is built on based on FY 2020, on which 2021 would have halved or whatever, dropped by 30%, 40%, and 2022 is still uncertainty in terms of recovery. So, don't look at these numbers with that lens, I think Vishak will give you a better sense of what 2022 to 2026 will look like. Because in some ways this pandemic has taken away, if not two, at least one and a half years away from us in terms of growth. But Vishak, go ahead.

Vishak Kumar: Absolutely. So, Ali, the CAGR actually for the years ahead is about 14.5%, so that I think is a fairly aggressive growth period over a long period of time. Second is, we are constantly looking at how to strengthen brands. And part of that strengthening brands is to constantly keep upgrading your distribution, improving the quality of distribution as well. And that is an extent which in that sense means you let go of some distribution as well, to make your brand stronger. So, a long-term goal for us is also to constantly see how discounts are kept tighter and tighter in our business, so that we are able to keep strengthening the brands that we have. So to that extent, I would say that, yes, that's the opportunity. Having said that, not the entire opportunity of expansion is baked into the numbers. That slide was just to show that there is this kind of an opportunity to be able to scale up. Also Ali, it doesn't happen that every property that you want augurs into your financial format, in the timeframe that we have. So to that extent, that's the universe from which we will be able to scale up.

Aliasgar Shakir: Got it. I take your point, I mean, actually I was coming more from the point of view that if you see the last five years, the way you highlighted, formalwear was such a big contributor, and it had actually grown at much lower pace. And in fact, now, where your formula is much smaller, you have a casualwear and the other categories which are all good drivers, you have done so well in your product extension, in that brand extension you explained, and all of that, so maybe. But I take your point there, we proceed and something we can discuss separately.

The second question I had is on Pantaloons, I think we did discuss the number of stores that we are looking to add in the next five years. I was just keen to understand, what is your strategy on the franchise model? A lot of our peers have been launching quite unique, different franchise models. I think a large part of our growth is entirely coming from Coco, do you think that is a model that can accelerate growth for us? That's point number one. And point number two on Pantaloons is that, a lot of new stores that we have launched, I have observed, seem to be like pretty flashy, gives me a sense that they are kind of slightly up market, not kind of a targeting a value segment. So are we kind of trying to create subcategories within Pantaloons and maybe kind of have different kind of stores and different proposition? Correct me if I am wrong.

Sangeeta Pendurkar: All right. So I will take your second question first, in terms of the stores that have been launched, and then come to the question on the franchisee. So the stores that we have launched, as I have said, this comes from an understanding of how fashion is very aspiration for a consumer, whether it's a small town or a large town. Equally, and this is based on a lot of consumer work and consumer research that we did. I think our starting point was to create a distinctive and a different experience in store, right? So there are various elements to it in terms of it being interactive in terms of technology that we are putting in. And in terms of just the layout, etc., facilitating easy navigation. This is in line with which I mentioned to you, making our brand far more vibrant, far more contemporary. So I think it was with that objective. We tried to improve the quality of our fixtures, the quality of our visual merchandising, and therefore it may end up looking as being quite different versus where we are, but I don't think it is alienating our consumers in any way. In fact, this has been now tested with five stores on the ground and feedback from the consumer and our partners has been extremely positive. So yes, it may look like a little bit of mid-market play, but our task is to make our brand expirational without losing the relevance. And that is what we have attempted to do with the new retail identity.

On the franchise model about, 15%, 20% of our business today is from the franchise stores. What we have assumed going forward is that we have kept a very similar assumption. Of course, our endeavor will be to step up the contribution of the franchise partner. But at this point of time, we have assumed a similar play good forward.

Aliasgar Shakir: Okay. Any reason why you think this cannot be accelerated in terms of the mix between franchisee versus company-owned?

Sangeeta Pendurkar: It absolutely can be, like I said. And in fact, there is a lot of work that's happened to see how we can step up this number. And as we move forward, I think we will see how this evolves. So absolutely, is there feasibility of it evolving? There is absolute feasibility of driving this forward. And in fact, we have seen some good success, our franchise model stores also deliver very good ROCE. So we intend to obviously up the game. But as I said, in the projections that we have shown, we have kept a similar assumption. But complete feasibility and effort is on from our side.

Aliasgar Shakir: Okay. So that could kind of, I mean, build our numbers much higher?

Sangeeta Pendurkar: That's possible.

Jagdish Bajaj: But Sangeeta is assuming the similar percentage composition of franchisee and owned stores.

Moderator: Thank you very much. Our next question is a text question from the line of Ankit Kedia from PhilipCapital. He has two questions, the first question is, ethnic business is a high operating margin business, TCNS is 18% plus, Manyavar is 30% plus margin. Even Sabyasachi is 20% plus margin business with Rs. 1,500 crores revenue from women ethnic wear and another Rs. 500 crores from men's ethnic wear we have projected only 11% margin. Since we are talking of lower markdown and lower discounting across businesses, shouldn't the margins be higher? And the second question is, rationale to tie up with Tarun to build a men ethnic wear brand, why we could not do it on our own? Thank you.

Ashish Dikshit: Okay. Ankit, great questions. Let me just explain the ethnic wear business. By the time we have given the number for FY 2026, a significant part of our business at that point of time will come from businesses that we will be launching by FY 2021. In that sense by FY 2022, so FY 2023 would be the first year of full year of those businesses, both premium men's ethnic wear and the premium women's ethnic wear. And therefore, to that extent, in a year three, these would still be in very, very early stage. And because we want to build them fast, we will have to invest deep, like what we have done innerwear in first two, three years to get to the level that it is. And therefore, you should not look at a 25-year-old business with the same lens as three year old business, especially if we are wanting to go and get to that size in three years, with some of the other brands have taken 20 to 25 years to build. So that's the rationale at that point of time. I think those businesses are, as you are rightly suggesting, intrinsically far more profitable than what our numbers recommend. And we will definitely build those business into those level of profitability.

But by FY 2026 it is harder to build that level of steady performance so early in the in the lifeline of a brand. And that's why those numbers reflect what they are.

On the question of partnering Tarun, we looked at the premium menswear market and we felt that in order to be more assured, we would like to have cumulative experience of 25 years, having dressed some of the best men, designed, made some of the finest products, and translated that with the supply chain and other skills that he will bring to the table. We believe it's a category that we will be playing for the first time. We don't want to play around and have deep learning period on that. We believe that Tarun, with his tremendous experience over a long period of time, and we have worked with him now for nine months to perfect the brand, the product proposition, etc. And their experience is extremely valuable for us in getting started. So the whole purpose of the partnership is really to get his entire 20, 25 years of experience culled into a very quick translation of product, which has far greater chances of success and less scope for error. So that's really the thinking behind that.

Moderator: Thank you. Our next question is a text question from the line of Ashit Desai from Emkay Global. Again, Mr. Desai has two questions. The first question is, could you please explain what will be the drivers of the acceleration in growth across Lifestyle brands and Pantaloons? What would be growth from SSG, store expansion, digital omni-channel initiatives? And which part would see greater acceleration versus past? Some colour on this would be helpful. The second question is, secondly, if you can share overall CAPEX detail for FY 2022 and FY 2023. Thank you.

Ashish Dikshit: So, let me just come in here on the last question. Look, this call we are primarily using to help all of you deep dive into our businesses, individual businesses, the strategies, intrinsic financial performance. We would not want to give next year's guidance in terms of either CAPEX or numbers. So I would request that that question be left for later. However, levers and drivers for both for Lifestyle and Pantaloons, we would definitely take one. I'd request Sangeeta and Vishak to take that question.

Vishak Kumar: Okay. So Ashit, two parts, one is, how much of growth from expansion, how much from same store growth. Clearly, both are critical. There are opportunities in markets where there are whitespaces to be able to put up store them hence the must. Having said that, for any successful brand and retailer, it's important that we keep working on same store growth. So same store growth is going to be a priority. How do we get there? I spoke about the 12-season model and how that model has to create great freshness, great relevant assortments for consumers, intelligent merchandising so that consumers get what they want, continuous quality improvement, product innovation, breakthrough innovations, which consumers can come to the store again and again for, products which are exciting enough and habits that we create for consumers in terms of the measures of shopping and sheer excitement of products, service standards and all the things that we do around service standard, omni-channel play and the ability to be able to deliver in a catchment either physically or digitally, to be able to do that. So we will have to have multiple levers, Ashit, to be able to drive same store growth, and that will be our continuous endeavor. Will we make you take away COVID, we have been hitting high single-digit, sometimes double-digit like-to-like growth in the business. High single is something which we should keep pushing for so that we are able to drive the momentum in the business. Expansion, like I spoke, is almost like a parallel opportunity where there are lots of markets which cave in. Of course, we must also recognize sometimes market shifts also, while there are additions in market, sometimes there are new shifts which are created either by a mall development or property development and so on, which again we must recognize, and we must play accordingly. Sangeeta, you want to take it from here?

Sangeeta Pendurkar: Thanks, Vishak. So coming to Pantaloons, I think again, two parts to it or three parts to it, the same store growth, the growth coming out of our store expansion, and third is the e-commerce play, right? I will start with e-commerce, which, as we called out in the presentation, we expect it to be, because it's a smaller base, it will grow much faster than the overall retail business, and that's how from a 1% share pre-COvID it will get to 8% to 10%. Where does our confidence come from? Our confidence comes from three things in e-commerce. One is the fact that we are investing hugely in our digital marketing to build pantaloons.com as a platform. Second, given our distribution reach, the play with omni, and like I said today, even today, a good part of our pantaloons.com business is served from the stores. Likewise, it's true for a partner with the e-com business as well. So that's the second part, enablement of omni. And the third part is, the way we will leverage our business with the partners in e-commerce. So that's on the e-commerce business, that's likely to grow multi-fold. As I said earlier in another question, there will be some state of equilibrium, but we are targeting to get to about 8% to 10% of our business in the next five to six years, right.

On coming to the retail business. All the drivers of growth, and mind you, this has been a journey over the last 10, 12 quarters for Pantaloons. And we saw some great results in 2019, in 2020. And that gives us the confidence that our same store growth will be higher single digit, with almost delivered that if it wasn't for COVID. But if you see our results, till December of FY 2020 and till February of FY 2020 that's where we had gotten to, and we were seeing some earlier results. The drivers are the same that I called out, I will very quickly repeat them for you, improvement in our product, investment in technology to improve freshness in our stores, revitalizing our brand with investments in digital and the CRM program, our retail identity being recasted and strong store economics, which brings me to the third part. The fact that our stores do well across top strata in terms of policy across vintage of stores and across size of stores, gives us the confidence. So these will be the levers. I think off the 15%, 16% growth that is projected, a high single digit will be the growth that we are forecasting in terms of same store growth. But we do believe, I think we have not seen the full impact of our strategy, and the best for Pantaloons is yet to come. I hope that answers your question.

Moderator: Thank you. Our next question is a text question from the line of Jatin Karani from Samarthya Investment Advisors LLP. His question is, he would like to get a perspective of the management on how does ABFRL plan to leverage the Myntra and Flipkart online reach to augment the online sales? It would be great to get some color on how things have progressed since the deal announcement and what levels of operational coordination exists currently between the two deals? What is our aspiration on percentage business from Flipkart and Myntra online sales over the next five years? How will margins be maintained considering the big volumes are driven on the online channels through EOSS and discounting? Thank you.

Ashish Dikshit: Jatin, I will take this question at the beginning. Let me first clarify that Flipkart, Myntra partnership is not a new partnership which has started. Investment is a different arrangement, our partnership with Flipkart, Myntra has been a running ongoing partnership over last four, five years. As you know, they are the largest players in the fashion ecommerce, and we are the largest player as far as the branded fashion apparel industry is concerned. And therefore, naturally there is a lot of synergy in our operations in what market we are targeting and so on and so forth. We have been working with them in a very dedicated manner over last several years, and particularly more so in last 18 to 24 months. In fact, this investment is an outcome of an existing deep partnership, not a beginning of one. And therefore, to that extent, nothing dramatically changes, it was a part of a plan. We had already rolled out large omni-channel sort of strategy with Myntra and Flipkart as a part of our plan. We will continue to execute deep, we will be launching extensions, sub-brands, products. But having said that, we are doing the same thing in different file size and scale with other e-commerce operators also. We have a good starting relationship with all the other e-commerce horizontal, the big ones and some small ones as well. Our brands are meant to be sold at all formats and we are a multi-channel business with the presence across multiple platforms. And we will continue to exhibit that. In terms of share of e-commerce, our brand business pre-COVID was around 7%, 8%, Pantaloons was about 1% or 2%.

As we see over next five years, Pantaloons business should come into early double-digits, and the brand business should come into close to 18% to 20%. A part of it will be Myntra and Flipkart, but the other part will be equally divided between all the other large platforms that would exist at that point of time. We also have a plan to build our own e-commerce business as well, and therefore that would again be a part of this entire 18%, 20% that I am talking of in brands and 10% to 12%, 13% that we are talking in Pantaloons. So our overall strategy is diversified, is well played and a partnership with Myntra and Flipkart is continuously evolving. It was deep to begin with, and it's continuously improving. But we will continue to build partnerships with other platforms and keep growing our businesses across all possible channels that exist.

On the question of EOSS and discounting, one of the reasons why our e-commerce growth is more moderate in past and planned in future is because we will not grow our business if it comes at the cost of premium that our brands enjoy, pricing power that we want to maintain, channel parity that we are very, very proud of, considering that other part of the channel is largely owned by us. To that extent, our growth will not be driven by and margin will not be driven by discounting beyond what is average and normal. And we are quite clear about that part of our strategy.

Jagdish Bajaj: Ashish, can I come in here and explain the case flow? Company will generate a cumulative operating cash flow of over Rs. 2,000 crores between FY 2022 to 2026. This is after meeting the CAPEX needs of all our businesses of roughly Rs. 2,000 crores to Rs. 2,500 crores. It means at gross level before CAPEX and after working capital we will generate almost Rs. 4,000 crores to Rs. 4,500 crores of CAPEX. So, after spending on CAPEX, I will have cash of around Rs. 2,000 crores. And after payment of taxes and interest of Rs. 750 crores to Rs. 1,000 crores, the cash flow to the farm after meeting all these for the shareholders will be around Rs. 1,000 crores. I thought I have amplified on the cash flow. And this is the business case generation cumulative for the next five years.

Ashish Dikshit: Thank you. Are there any more questions?

Moderator: Sir, there are a few more questions. However, due to paucity of time we will not be able to answer all of them. I now hand the floor back to Mr. Ashish Dikshit for closing comments. Over to you, sir.

Ashish Dikshit: Great. Thank you very much. We really appreciate you joining us for this session this afternoon, evening, or morning for you. We have, as you saw, laid out details of strategy of individual businesses, tried to translate those strategy into financials and tried to give a good sense of both the operational strategy as well as financial outcome of our ensuing strategy. I am sure that we would not have answered all the questions that you would had due to paucity of time, and I apologies to those who have not been either able to ask a question or we have not been able to satisfy fully. We are keen to ensure that our indication of our strategy is as widely and as clearly understood. And therefore, we would be happy to take further questions and requests for meetings. Please don't hesitate to reach out to Rahul, whose details you would have, and you can reach out to Rahul Desai for any further questions that you may have, and we will try and reach back to you. Thank you once again for being patiently listening to us.

Moderator: Thank you very much members of management. Ladies and gentlemen, on behalf of Aditya Birla Fashion and Retail Limited, thank you for joining us. And that concludes this session. You may now disconnect.