



“Aditya Birla Fashion and Retail Limited (ABFRL)
Q4 FY '25 Earnings Conference Call”
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Moderator:

Ladies and gentlemen, good day, and welcome to the Fourth Quarter Earnings Conference Call of Aditya Birla Fashion and Retail Limited. The call will begin with a brief discussion by the company's management on the Q4 FY '25 and FY '25 performance followed by a question-and-answer session.

We have with us today Mr. Ashish Dikshit, Managing Director, ABFRL and ABLBL; Mr. Jagdish Bajaj, CFO, ABFRL; Mr. Vishak Kumar, Deputy Managing Director and CEO, ABLBL; Mrs. Sangeeta Tanwani, Director and CEO, Pantaloons.

I want to thank the management team on behalf of all the participants for taking valuable time to be with us. I must remind you that today's discussion may include certain forward-looking statements and must be viewed, therefore, in conjunction with the risk that the company faces. Please restrict your questions to the quarter performance and to strategic questions only. Housekeeping questions can be dealt separately with the IR team.

With this, I hand the conference over to Mr. Jagdish Bajaj. Thank you, and over to you, sir.

Jagdish Bajaj:

Thank you. Good afternoon, everyone. Welcome to the Q4 FY '25 earnings call. Thank you for joining us today. We are pleased to report a strong close to what has been a transformative year for our business. With culmination of our demerger exercise, this quarter marked the beginning of a new era for Aditya Birla Group's fashion business as two powerful independent fashion entities now commence their distinct value-creation journeys.

Let me begin with some key corporate updates for Q4. We successfully completed the demerger, creating two focused fashion power houses, Aditya Birla Lifestyle Brands Limited, ABLBL; and Aditya Birla Fashion and Retail Limited, ABFRL, both now set on independent high-growth trajectories.

The Board of ABLBL has allotted shares to all the eligible shareholders of ABFRL as per the record date. These shares will be credited within the next 2, 3 days, and ABLBL is on track to be listed by the end of June.

We successfully raised USD 490 million of equity capital through QIP and preferential issuance during this quarter. With that, we have infused tremendous strength into the balance sheet of demerged ABFRL with an availability of INR2,350 crores cash at consolidated level to pursue aggressive growth across its multiple high-growth platforms.

Now industry scenario, the quarter continues to see strong macro headwinds with sustained impact on consumer discretionary consumption. We delivered a resilient performance in this tough quarter, underpinned by disciplined focus on profitable growth and sharper execution across businesses. Both entities delivered robust profitability, ABLBL clocking 200 basis points margin expansion, while demerged ABFRL more than doubling its EBITDA.

Coming to the financial performance for this quarter. As you are aware, the demerger was approved by shareholders on 21st January 2025. Accordingly, ABFRL held ABLBL's assets as

assets held for distribution. As a result, the published financial results reflect, a) continued operations of demerged ABFRL; b) discontinued operations pertaining to ABLBL.

Starting with Aditya Birla Lifestyle Brands Limited - Our premium Western wear business and home to some of India's most loved lifestyle brands.

ABLBL continued to demonstrate a robust and profitable growth trajectory with a marked improvement in performance during the second half of the year.

In Q4, the business delivered high single-digit like-to-like retail growth, driven by consistently robust retail execution, continued product innovation and a sharp focus on enhancing customer experience. At the same time, the company strategically rationalized low-margin channels and enhanced the overall quality of its distribution network.

Please note that for ABLBL, depreciation of INR148 crores on discontinued operations was not charged in consolidated financials due to asset classification under the demerger. However, ABLBL's own financials reflect full depreciation.

ABLBL delivered a resilient performance in Q4 '25, posting normalized revenue growth of 3% to INR1,942 crores. Post considering intercompany elimination adjustment, revenue reported under discontinued operations were INR1,859 crores. EBITDA stood at INR330 crores, reflecting an 18% Y-o-Y growth. And the normalized EBITDA margin that is ex demerger impact of elimination expanded by 200 basis points to reach 17%.

For the full year '25, ABLBL reported normalized revenue of INR7,830 crores with a normalized EBITDA margin of 16.2%, a 100 basis point improvement over the previous year. Full year revenue under discontinued operations stood at INR7,619 crores.

The normalized PAT would have been INR250 crores versus INR168 crores reported highlighting the strong underlying profitability of the businesses. Below are the adjustments, gain of INR109 crores on account of lower depreciation, net of deferred tax liability and exceptional loss of INR98 crores on account of discontinued Forever 21 operations, hence, net gain of INR11 crores. INR50 crores operating losses of Forever 21 was also included in reported EBITDA. INR50 crores higher interest in ABLBL from 1st April 2024, which will not be there next year.

Net debt of ABLBL at the end of fiscal stand at INR781 crores with repayment targeted within next 2 to 3 years. ABLBL shall be a dividend-distributing company at the earliest appropriate opportunity.

ABLBL stands today as India's most formidable premium lifestyle brand platform built on the backbone of strong operational excellence perfected over years and powered by strong brands, innovation-led cultures and industry-leading talent.

Let me talk to you about Lifestyle Brands. With one of the strongest and most versatile brand portfolios in Indian fashion industry spanning categories, price points and consumer occasions, Brands continues to set the benchmark and redefine industry standards.

Our Brands sustained their exceptional momentum, delivering an industry-leading retail like-to-like growth of 9% in Q4, following a very strong 12% LTL growth in Q3 over a network of 2,900-plus stores. This marks the third consecutive quarter of positive LTL performance, reaffirming the salience of these brands amongst Indian consumers and also highlighting the exceptional quality of retail execution.

Revenue for the brands grew by 5% Y-o-Y to INR1,639 crores this quarter with EBITDA margins expanded by 50 basis points to 20%, underscoring the business ability to drive profitable growth despite a subdued overall consumption environment.

For full year FY '25, revenue for Brands stood at INR6,575 crores with EBITDA margin of 19.3%. All of our Lifestyle Brands have earlier surpassed the INR1,000 crores revenue mark with 2 exceeding INR2,000 crores, making them amongst the very few brands in the Indian fashion industry to achieve such a scale.

Other businesses include Reebok, American Eagle and Van Heusen Innerwear posted 3% growth in Q4. Revenue performance was marginally impacted by the closure of Forever 21's off-line operations. Importantly, the segment delivered positive EBITDA, highlighting the improving profitability profile.

Strategic distribution expansion continues to be a critical growth driver for ABLBL businesses. Over the next 12 months, leveraging its strong cash flows, ABLBL is set to embark on a historic expansion drive with an aggressive retail rollout across its brand portfolios, adding over net 300 stores across the country to accelerate growth and deepen market presence.

Now operating as an independent entity post demerger, ABLBL is uniquely positioned to chart its own value-creation journey. Combined with a stable high-margin core, a high-growth emerging brand portfolio and the strong brand equity with its consumers, the company is strongly positioned to confidently invest in driving growth, innovation and long-term leadership in fashion and apparel space.

Let me now explain to you the performance of demerged ABFRL. The demerged Aditya Birla Fashion and Retail Limited continued its strong growth trajectory in Q4 FY '25, anchored in a clear strategy of profitable scale-up across its diverse, high-potential business segment with leadership positions across ethnic wear, masstige and value retail, luxury fashion and digital-first brands. The company remains well positioned to capture growth in India's evolving fashion landscape.

ABFRL's focused execution translated into both top line growth and significant margin expansion this quarter. In Q4 FY '25, the company reported a robust 9% Y-o-Y revenue growth reaching INR1,719 crores.

Comparable EBITDA more than doubled to INR199 crores, up 103% versus last year, reflecting strong operating leverage and efficiency improvement across segments. Reported EBITDA stood at INR295 crores with a significant margin expansion to 17.2%. Reported EBITDA includes gain of INR97 crores on account of discontinuation of interdivision elimination post

demerger as company's financials get reset to report on independent and stand-alone basis going forward.

For the full year FY '25, demerged ABFRL posted revenue of INR7,355 crores, registering a 14% increase over the previous year.

The comparable EBITDA margin expanded by 220 basis points to 103% amidst a challenging consumption environment.

Demerged ABFRL has INR2,350 crores cash at consolidated level. With a sharpened brand portfolio, strong balance sheet and margin momentum, ABFRL is evolving into one of India's most versatile multi-format, multi-brand fashion platform.

Let me first cover Pantaloons. Pantaloons segment continued its trajectory of margin-led growth in Q4 FY '25, reporting revenue of INR885 crores, which were impacted due to 50-plus stores closure in the last 15 months. The business achieved a significant EBITDA margin expansion of 480 basis points, reaching 15.1%, its sixth consecutive quarter of margin improvement. For full year, the segment margin stood at 16.9%.

Pantaloons format delivered margin of 18% in FY '25, highlighting the consistent execution of retail operations across Pantaloons' network, along with lower markdowns, improved private label share and disciplined cost optimization efforts.

Style Up, our value retail format, maintained its strong momentum, expanding its footprint to 46 stores with 7 new additions during this quarter. The format posted 70% revenue growth for the full year, showcasing growing consumer acceptance and setting the stage for further scale up in FY '26. The recent fundraise will be partly deployed to expand the network to over 300 stores in the next 3 years.

Ethnic business. Our Ethnic wear business has firmly established itself as a powerful growth engine within ABFRL's portfolio. Today, we house the largest and most comprehensive ethnic brand portfolio in the Indian fashion industry, spanning designer-led and premium segment. This scale, combined with sharp execution and deep consumer resonance, has enabled us to consistently deliver double-digit growth across quarters.

In Q4 FY '25, the Ethnic wear segment reported revenue of INR564 crores, registering a robust 19% Y-o-Y growth. Profitability also improved sharply with EBITDA margin expanding by 700 basis points to 10.1%, supported by margin improvement across the brand portfolio.

On full year level, Ethnic portfolio revenue stood at INR1,956 crores. With peak losses behind us, further scaling of the Ethnic portfolio shall drive profitability improving going forward. Our designer-led ethnic portfolio, which includes Sabyasachi, Tarun Tahiliani, House of Masaba and Shantanu and Nikhil delivered an exceptional 46% Y-o-Y growth in Q4 with EBITDA margin exceeding 20% in the quarter.

Most of our designer brands recorded their highest ever quarterly revenue in Q4 as they continued to strengthen their position as India's leading aspirational fashion houses, reaffirming our strategic thesis of building a distinctive and high-potential designer brand portfolio.

Within the premium ethnic wear space, Tasva posted another strong quarter, leveraging the peak wedding season to drive over 50% Y-o-Y sales growth and 12% like-to-like growth. The brand continued to strengthen its presence in key wedding markets and build traction with Indian consumers. The current network of around 70 stores is expected to scale to over 200 stores over the next 3 years.

Meanwhile, TCNS saw a revenue decline during the quarter due to ongoing distribution rationalization. However, the brand reported 4% LTL growth for the full year signaling improving consumer acceptance of new product lines.

With the rationalization phase nearing completion and merchandise significantly refreshed, TCNS is now well positioned to deliver sustainable and profitable growth in the medium to long term. We expect to see significant EBITDA improvement in FY '26 with the TCNS portfolio projected to turn pre-Ind AS EBITDA-positive by FY '27.

Our Luxury Retail business encompassing the collective and monobrand formats grew by 11% in Q4 FY '25, driven by strong e-commerce performance. The portfolio has consistently delivered double-digit growth, accompanied by steadily improving profitability.

Our digital-first brand portfolio under TMRW delivered 27% Y-o-Y growth in Q4, along with margin improvement. This sustained momentum reinforced our confidence in the long-term potential of digitally native brands as we continue to scale through innovative product offerings, curated off-line presence and focused investment in brand equity, tailored for young aspirational consumers in India.

To conclude, even in a tough consumption environment, our businesses have demonstrated strong resilience with consistent margin improvement across the board. With the demerger behind us, we now stand as 2 focused, well-capitalized entities each poised for its own high-growth journey.

ABLBL, backed by a robust portfolio over 3,200 stores and healthy free cash flows, is positioned to double in scale and expand margins meaningfully over the next 5 years with 300-plus stores already in the pipeline for FY '26.

ABFRL with a sharpened brand portfolio, a comprehensive diversified play across high-growth segments and a gross cash balance of INR2,350 crores is set to unlock the next phase of growth, targeting a 3x revenue scale up and 2x margin expansion over the next 5 years.

Together, we are building two future-ready fashion platform, resilient, profitable and prime for long-term value creation.

We are open to questions now. Thank you.

Moderator:

Our first question comes from the line of Ashish Kanodia with Citi.

Ashish Kanodia:

The first question is on the demerged ABFRL. Now when I look at the guidance, you're talking about doubling the margin. Now full year FY '25 post-Ind AS margin is 9% excluding the other income. And if you have to take it to, say, 18% in the next 5 years, what will drive this because Pantaloons it's at around, say, 16% to 17% margins? So do you see what will be the bridge for - at a company level going to 18% margin?

The second thing on the Pantaloons is part of, at least, the outside view is that when we look at the margin expansion, it's also driven through closure of these underperforming stores, almost 50 stores in the last 15 months. Now say in the next 1.5, 2 years, as you start to open new stores, what is the sustainable margins for Pantaloons?

And the third question is on this INR97 crore adjustment, is it fair to say that this intersegment, which is now not getting adjusted, this is predominantly sitting only in Pantaloons because within Pantaloons you would also fill the Lifestyle branded merchandise. So is that understanding correct?

Jagdish Bajaj:

So let me take Q3 first. INR97 crores is the elimination or writing up of the inventories in line with the purchase price of Pantaloons. So this is a onetime adjustment, which was earlier knocked off as interunit division. Now it will not be there going forward because both are independent companies. And on long-term margin guidance and Pantaloons' margin, Ashish?

Ashish Dikshit:

I think we have put out a longer-term guidance for each of our business segments in the last analyst meet that we conducted. It's in public domain, so you can look at some of those numbers to get a reference on that.

But coming to demerged ABFRL entity, the primary -- I would say the largest uptick in margins will come from turning the businesses, which are currently negative EBITDA and taking away from the profitability. Notably, parts of Ethnic businesses, TCNS being the largest, Tasva being the second and TMRW being the other businesses, these are businesses which are actually suppressing the margins that other profitable businesses make. And that would be the largest. Of course, there will be margin expansion in some of the other businesses as well. But I think the significant part of this will come from turning around the businesses, which are currently loss-making.

On the question of Pantaloons margin, Ashish, I think while your observation is correct, we have shut 50 stores, the cumulative impact on EBITDA for these stores is not much. These are -- a lot of stores have not been shut because all of them are loss-making. Many of them have been shut because either they were too small, not in line with the strategy, some of them were such that we didn't feel we'll be able to turn them around meaningfully enough to profitability.

The large part of profit improvement in Pantaloons has come from margin expansion, which is gross margin expansion, which is a function of lower markdown, which in turn is a reflection of better product apart from better plan.

So it's not that we have shut the stores, and therefore, margins have expanded. I think a larger part of margin expansion has come in underlying businesses through more long-term sustainable pieces.

The margin for the Pantaloons segment, as we report, which includes the Style Up as you can make out, has moved significantly. Jagdish mentioned for 6 consecutive quarters we have shown margin improvement. On a full year basis, also the margins got for the segment closer to 17%. For Pantaloons format itself, obviously, you would know margins is even higher.

I still believe there is a long runway. I think a lot of good work has happened in Pantaloons, but there's a long runway currently from where we are for Pantaloons also to expand its margin. We think at least 300 basis point improvements from here is pretty much something that we will look to target in the next couple of years.

Moderator: Our next question comes from the line of Garima Mishra from Kotak Securities.

Garima Mishra: First question, demerged ABFRL has started off with a net cash balance, right? So would this current cash balance be sufficient to fund the planned expansion and investment across the different business segments in this company?

Ashish Dikshit: Yes. Garima coming back to your question, as Jagdish mentioned, there is sufficient capital, close to INR2000 crore-plus, which is lying as a gross cash in the ABFRL subsidiary. You would also know that we are looking to raise capital separately in TMRW, which would be required to fund that part of the business. So we feel adequately capitalized to drive this over next 3, 4 years.

Garima Mishra: All right. And you did mention that the process of finding an external investor for TMRW is on. Is there any time line you have in mind as to by when you think this process might see some result?

Ashish Dikshit: Sometime this financial year.

Garima Mishra: Okay, okay. Understood. One question on Pantaloons. So FY '25, clearly, we did see some store rationalization. What should we expect really for store additions in FY '26 and '27?

Sangeeta Tanwani: Garima, this is Sangeeta. So I think while we rationalize and as Ashish explained that stores which were not in line with our strategy are the ones that we have closed, the new stores that we are opening, obviously, are with a stronger set of guardrails in terms of the kind of stores that we are opening. We're opening larger stores focused largely on metros and mini metros and Class 1 towns, and we expect to open around 15 to 20 stores in the coming year.

Garima Mishra: Understood. And last question from me, again on Pantaloons. So of course, this year, we saw a big EBITDA margin improvement. Can I also get the pre-Ind AS EBITDA margin for Pantaloons?

Ashish Dikshit: Garima, we'll declare segment-wise pre-Ind AS margins at a periodic frequency. We do it at the end of every year and we'll meet that because, otherwise, it will lead to too many numbers and

different accounts being seen by different people because this could be asked for any segment of our business.

Garima Mishra: So Ashish, any number that I could have for FY '25, maybe not for the quarter, but anything you may share for FY '25?

Jagdish Bajaj: Garima, I have given at a company as a whole. At least from a comparable figure, it is there in my published results on segmental, let me work on it (pre-INDAS). I will come back to you on that.

Moderator: Our next question comes from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Sir, I was referring to this company by balance sheet that you have provided in the PPT. The net working capital for the demerged ABFRL is at negative INR136 crores and there are some businesses like TCNS, which would be operating at around INR200 crores to INR250 crores of working capital. This implies that the working capital for the other businesses is even more negative. So I wanted to check are these sustainable levels? And what is the long-term assumption that we should work with?

Ashish Dikshit: So I think two parts. One is, as you know, ABFRL demerged entity has multiple businesses. So they will behave differently, as you rightly mentioned, different parts of the business. For a regular branded business with small format stores, we operate with early double-digit net working capital to sales to high single digit.

Our most productive, from a capital point of view -- from a working capital point of view, our most productive businesses are in the Pantaloons segment, which is the largest part of this company. And that operates with close to zero working net working capital. A part of it is negative, in some quarters you'll get marginally positive. So it's the net balance of these businesses, which is what you will see quarter-on-quarter.

Devanshu Bansal: So currently, this negative level, at least on an overall basis, at least because Pantaloons is at 0 and others are high single digit, double digit, so that should be like 5%, 6% of sales is a good estimate, right?

Ashish Dikshit: Yes. Currently, it's negative, you can say so, which means Pantaloons itself is showing negative and Pantaloons segment is showing negative working capital, which is what is driving it.

Devanshu Bansal: Understood. And sir, from a capex perspective, since we are opening about 40, 50 Style Up stores; 15, 20 Pantaloons; 25 in Tasva; and then TCNS luxury is also expected to accelerate, what is the capex expectation for this demerged ABFRL for next few years?

Ashish Dikshit: About -- on an ongoing basis, close to INR400 crores.

Devanshu Bansal: Okay. And this would include Galeries as well, Galeries Lafayette?

Ashish Dikshit: Galeries as such will be a onetime deal, which will be this year, about INR100 crores, INR100-plus crores.

- Devanshu Bansal:** So this year, it should be INR500 crores and then INR400 crores is the...
- Jagdish Bajaj:** Yes, INR350 crores, INR400 crores, yes, Devanshu.
- Devanshu Bansal:** Okay. And sir, lastly, I don't want segment-wise, but between pre-Ind AS and post-Ind AS numbers for ABFRL, we are seeing that the difference is 13% to 14%. Is this expected to sustain going ahead? Or can we be sort of make resumption based on this 13% to 14% difference?
- Jagdish Bajaj:** See, this is a function of how many stores are signed and agreed upon. So this time because of our signing was much more, they were 13%, 14%. Let me work on it, Devanshu, we can talk offline going forward. Okay?
- Devanshu Bansal:** Understood. And last question from my end, sir. This is in reference to the Investor Day PPT on Page number 40 of 205. The Style Up brand has been placed in the INR2,000 crore to INR5,000 crore revenue size bracket by FY '30. The expansion target is pretty encouraging, but aggressive on the other hand as well. I wanted to understand what is the kind of store expansion that we are pursuing for this format for next 5 years?
- Jagdish Bajaj:** Sangeeta?
- Sangeeta Tanwani:** Yes. So Style Up, we currently have about 46 stores. This year in FY '26, we plan to open about another 50 stores. Over the next 2 to 3 years, we plan to open about close to 150-odd stores.
- Devanshu Bansal:** Okay. So beyond FY '26, we will see accelerated expansion?
- Sangeeta Tanwani:** That's right.
- Ashish Dikshit:** Yes. This year, we will start with acceleration, but you will see much steeper acceleration going forward. And a large part of our capital allocation in the preceding fundraise is meant to drive Style Up expansion.
- Moderator:** Our next question comes from the line of Gaurav Jogani with JM Financial.
- Gaurav Jogani:** Sir, if we are reading the balance sheet for the ABFRL business, the net cash actually comes to around INR9.3 billion-odd, the net cash that is. Now of that INR9.3 billion-odd, if you look at the capex that you just announced, that would be around INR5 billion-odd. Now assuming there will be still some losses at the PAT level in FY '26, do you still think that it would suffice for the expansions and the plans going ahead?
- Jagdish Bajaj:** Yes, Gaurav, thanks. As Ashish explained, the gross cash available with ABFRL demerge is INR2,300 crores, right? Then we have a long-term loan, which is up to FY '30 and -- which will go -- the repayment go up to '30, '31. And then the subsidiaries borrowings, that includes borrowing in TMRW also.
- As Ashish explained, we have a plan to raise separate capital in TMRW. If I exclude that, we have adequate cash and we are well capitalized at our company for taking care of the capex, working capital and the loss funding for next 2 years, which according to me, the losses will be for next 2 years and after that all my businesses will be profit-making.

- Gaurav Jogani:** Sure. So sir, in effect, there will be gross debt that will be -- that could occur at some point in time, right?
- Jagdish Bajaj:** No, no, no.
- Gaurav Jogani:** Because, sir, as you mentioned, while that's the long-term debt, that might sustain, you might not pay that off. And the TMRW entity, if there is a fundraise, then definitely that debt could come down from that level, right? If the fundraise is not there...
- Ashish Dikshit:** Gaurav, you'll have to add to the existing net debt number something between INR1,200 crores to INR1,500 crores, if not more, of additional fundraise in TMRW to look at your calculations. Either you do that or you need remove TMRW debt and look at the picture separately. In both cases, you will find that there is sufficient capital.
- Gaurav Jogani:** Sure. Sure. So that's helpful. And sir, the other question now is with regards to the ABLBL part of the business. I mean, the ABLBL part you have already mentioned that the growth there will be more on a steady-state basis that you're looking and it would be largely led by network expansion.
- So if there, in that entity, if you can help us out what would be the kind of capex? Because if we dissect the capex that's been done this year, I think approximately INR3.5 billion-odd was done towards the ABFRL entity and approximately INR3 billion was still done towards the ABLBL entity. So if you can help us out how the capex would shape up for the coming years in the ABLBL part of the business.
- Ashish Dikshit:** Vishak, will you take this?
- Vishak Kumar:** Yes. Gaurav, as you know, in the Madura side of business or ABLBL, a large part of our expansion is franchisee-driven. So we have the option of having the right blend of partnered expansion and franchise expansion.
- This year, like Jagdish was mentioning earlier, we have planned an aggressive expansion plan, which also includes significant capex-driven expansion. But that's a choice that this organization will always have of how much to do as capex -- own capex-driven expansion versus franchise-driven expansion, right? So this year, we plan to open about 300-odd stores, okay, 300-plus stores. And maybe out of that, 200 would be driven by our own capex and rest would be partnered. So that's the kind of capex that we would require.
- Gaurav Jogani:** Sure. And Vishak, this 200 that you mentioned, the own driven, that would be -- I'm assuming would be including the Reebok and the Van Heusen BUs also?
- Vishak Kumar:** That's right. So Reebok includes -- is included in this. Van Heusen Innerwear is largely partner-driven expansion. There is not too much of own expansion in the Van Heusen Innerwear business.
- Gaurav Jogani:** Okay. And has the factory capex that was supposed to be done for this entity has been done or it still will be incurred in FY '26?

- Vishak Kumar:** Yes, a large part of it is already complete, Gaurav. So it's a small part remaining, but a large part of the expense is already incurred last year.
- Gaurav Jogani:** So Vishak, would it be prudent to assume at least a similar amount of capex that's done in '25 to sustain in '26?
- Vishak Kumar:** Sorry. In overall? Are you saying factory? What you -- sorry, Gaurav...
- Gaurav Jogani:** The overall capex for ABLBL for FY '26, could it be a bit...
- Vishak Kumar:** Yes, this year would be more. Gaurav, it will be more in retail, not so much in manufacturing won't have capex, but retail would be more because this year we have chosen to have a significant aggressive expansion, a large part of that you will see in fruition in H2 of this year. So this year would have a much higher retail expansion capex component as compared to last year.
- Gaurav Jogani:** Sure. Sure. And just lastly, on the Ethnic piece of the business. I mean if you can help us out, how much profitability on a steady-state basis could be expected in the business because the margins that are -- that's been shared on the post-Ind AS basis and rental being a higher part of this part of the business doesn't give a true picture of the profitability here. So some color on this directionally would be helpful.
- Vishak Kumar:** Sorry, Gaurav, before I pass it on to the others for the Ethnic part, just to give you a number in case you're looking for a number, about INR250 crores of capex this year in case you wanted that.
- Gaurav Jogani:** Sure, that was helpful. That is what I was...
- Ashish Dikshit:** Sorry, coming back to your question on the Ethnic part, it clearly has two segments, as you can -- you know, the designer part and the premium ethnic wear business. The designer business, because the throughput per stores are very high, the Ind AS impact is very small. And therefore, the margins that you see, the dilution pre- and post-Ind AS is significantly lesser. Because rent is a small part of the business, individual stores have very high throughput.
- On the premium ethnic wear, it's material and that's where -- so our designer business would operate in post-Ind AS in high 20s and pre-Ind AS in high teens to mid-teens kind of number. That's the goal that we have. And most of the businesses are very close to that as a portfolio level for designers.
- For premium businesses where Tasva and TCNS are the prime contributors today, TCNS is the largest part. Over a period of time, Tasva and TCNS will be a significant part. That's where currently, we have loss-making business. We expect to get to double-digit sort of pre-Ind-AS margins in these 2 businesses over the next 3 to 4 years, and that's the goal that we have for this. Currently, both these businesses are loss-making.
- Moderator:** Our next question comes from the line of Archana Menon with Morgan Stanley.

- Archana Menon:** A few questions from my side. The first one is on Pantaloons. So if you could share any update on the whole redesigning and reimagining of stores that have been conducted. So when is this expected to be completed? And any initial positive signs that you're getting out of here...
- Sangeeta Tanwani:** So this is one of the key pillars of our strategy, as we had also mentioned in the investor meet, delivering a distinctive store experience for our customers. And within that, our store design and redoing our store layout, I think, are both very important set of actions that we have put in place.
- So if you look at our network today, about 400-plus stores, many of them are with the retail identity that we had launched 3 to 4 years back. The work that we had talked about is actually refreshing that and also changing the layouts of some of our existing stores and renovation of stores, which we do every year. The change of layout has already happened in close to about 30 stores. It has just happened about 4, 5 months back as we started this season.
- And the new retail identity, which is going to be again, a refreshed retail identity, which is on international benchmarks and something that we believe our customers will notice and will be in line with our brand strategy, that is work in progress and that should be rolled out in the next 2 months.
- Archana Menon:** Perfect. The second question was on Style Up. So the value fashion space obviously is very, very competitive right now. So how are you looking to differentiate versus some of your peers?
- Ashish Dikshit:** Right. So I think, clearly, there are opportunities that we have identified and which has driven our thesis on Style Up. At this stage, I think, too early for us to lay out each one of those elements. I think Sangeeta did cover some of it in our annual presentation that we made. I don't think we have significantly more at this point to reveal.
- Archana Menon:** Got it. And on the ethnic side for Tasva, so you mentioned plans to expand to around 200-odd stores. So which markets would this be focusing on? And also if you could share some details around how the older stores are doing in terms of revenue throughput?
- Ashish Dikshit:** So as you could make out in this market also, the business is growing at very high double digit, which reflects the sort of positive consumer sentiment that are towards the brand. We would look -- we currently have about 65, 67 stores. The remaining stores also would be largely in the bigger cities. We think the capital productivity is much higher in these cities. And therefore, we'll operate primarily in top 60 to 70 markets.
- Archana Menon:** Got it. And anything on the revenue throughput for your mature stores?
- Ashish Dikshit:** So it's very different. A store in South Delhi versus store in Jaipur, the rents are very different, revenue. So there's no point in harmonizing each of these elements. Obviously, these stores are profitable for us to give us the confidence to expand this business. We grew this business by 50% this year -- last year. We'll grow by another 50% this year. That's the kind of momentum we are seeing in the brand.
- Archana Menon:** Understood. And sir, just last question from me. Any color you can share on how demand trends have been in general over April and May? Are you seeing any signs of a pickup?

Ashish Dikshit:

I can't say underlying demand is very different. Of course, there are wedding dates, which have come in this quarter versus last year. To that extent, the wedding parts of the businesses have the benefit of those dates. But I don't think that reflects the underlying state of the economy and consumption situation.

Moderator:

Our next question comes from the line of Kunal Shah from Jefferies.

Kunal Shah:

My first question is on Pantaloons. So you mentioned opportunity for 200, 300 bps margin expansion over the coming few years. Does this also include any potential, let's say, lower-margin operations that you will have in Style Up over the coming years or this is just Pantaloons format? And do you expect any meaningful losses or lower -- in Style Up in the coming years?

Ashish Dikshit:

No, I was referring more to Pantaloons' margin. This question was more specific to Pantaloons format, so I was responding more to Pantaloons. Style Up will have its own journey, Kunal. As I mentioned, we have a fairly -- a large part of our thesis of growth in this company is built around opening up that value end of the market for us. We look to open about 250 to 300 stores as we go forward. And a part of that would entail a little bit of margin dilution on the segment itself, perhaps in first 12 to 18 months.

Kunal Shah:

Understood. Understood. The second question is on ABLBL. Beyond Lifestyle brands, if you see growth has been a bit muted for the last few quarters now. I did hear a comment that it was marginally impacted this quarter by fast fashion business being there in the base, but any sense you can give on which parts of the portfolio beyond Lifestyle brands are growing well, which are struggling? And what's the outlook for the next year?

Ashish Dikshit:

Vishak, please take this.

Vishak Kumar:

Yes. Kunal, if you look at the outside of Lifestyle, what we've got, we've got American Eagle, we've got Reebok and we've got Van Heusen Innerwear. Apart from that, we also had F21. So a significant amount of the sales growth delta that you would see is because we were scaling down F21 and you would see the impact of that.

Now if I were to take the other 3 segments, American Eagle has been on a steady growth path for the year. It's been a significant double-digit growth path for the year. Reebok is also growing suddenly -- sorry, steadily. And you would see that in the network expansion over the coming quarters also in Reebok and it's a profitable growth expansion.

Innerwear has to -- we have done a lot of initiatives around Innerwear to be able to grow that business, and it is on its path to profitability in that sense. And that is more important for us than growth per se. So it will be a calibrated growth with a very high focus on getting on path to profitability. So that's the 3 big components within the mix that you will have.

Kunal Shah:

Understood. Understood. And finally, for Lifestyle brands, retail has done well, but wholesale and others have had a bit of volatile performance over the last few quarters. I know wholesale did well this quarter. But can you give a sense of how do you see next year panning out for both these channels?

Vishak Kumar:

If you look at it, if you look at department store business, we've had a significant Q4 and I think that momentum should continue through the year. The other, which is largely driven by e-comm, etcetera, like I had said last time also, we're trying to see how we can make our overall business more and take on lines and parts of business which are more profitable.

So the -- what is in terms of greater emphasis on profitable growth than growth per se in some of those segments, I think that trend is something you should see continuing. So a large part of our growth has to be fueled by retail followed by department stores and other trade business. E-comm we will grow, we will grow steadily and we will grow through our profitable growth model, and that's how we're working with various partners to be able to drive that agenda for profitable growth.

Moderator:

The next question comes from the line of Samir Gupta from IIFL.

Samir Gupta:

Sir, firstly, I just wanted some color on Sabyasachi. This is a very large business now within ABFRL and I believe it's a more profitable business, so growth of 15% in fourth quarter. Can I have the number for FY '25, how much it has grown? And how do you look at growth in this particular segment going forward? Are you planning to add more stores? Is it all LTL driven, something on this aspect?

Ashish Dikshit:

So as you know, Sabyasachi business operates with very few stores and expansion, while selective, is not going to be the primary driver for this business. The business is growing at early double digit this year, but an addition of a store here and there can sort of change the trajectory a little bit. Over a long period of time, we believe this would be closer to 20% growth business over 4 to 5 years with few years being higher if you add a store and few years being lower than that.

Most part of the growth of the business will be organic. It's a luxury brand, perhaps India's only true luxury brand born in this country, which has stage and potential to grow globally. We are not trying to rush this journey because it's incredibly valuable and luxury brands take their time to grow, and we will be patient with that growth.

Samir Gupta:

Got it, sir. And anything on the pre-Ind AS profitability here in Sabyasachi?

Ashish Dikshit:

Very profitable is all I can tell you and I'll leave it at that. I think we don't want to give segmental profitability at that level, but very, very profitable.

Samir Gupta:

Fair enough. So let's look at overall profitability then. EBITDA loss of INR180 crore in FY '25. Now given where we are, do you -- when do you foresee to break even on this number? Is it FY '27? Is it beyond that?

Ashish Dikshit:

You are talking about the full company?

Samir Gupta:

ABFRL, the demerged entity.

Jagdish Bajaj:

Excluding TCNS, Sameer -- excluding TMRW, sorry, excluding TMRW, we will be EBITDA positive next year.

Ashish Dikshit:

I think that there's a part of the business because multiple moving parts. TMRW is something that we still have some journey to cover. But I think all other businesses cumulatively and together would be profitable next year. And independently, every business would achieve profitability by FY '27 with perhaps TMRW being the only business which might take a year more.

Samir Gupta:

Got it, sir. One last question, if I may, on the Innerwear portion in ABLBL. Now we've been in this segment since 2016 and we are at a ballpark INR500 crores, INR550 crores of turnover today, and it's still a loss-making segment. So first of all, I mean, do you feel this business the way it has been run over the years it has met your expectations when you started out initially? And if not, what are the pieces where we are struggling, which need work? And what kind of ambition do we have here?

I know Vishak mentioned the focus is there on profitability, but overall ambition in this because this is still a large segment and INR500 crore doesn't really do justice to the scale and capabilities of ABFRL as a whole.

Ashish Dikshit:

I think you've answered a large part of your question. It -- obviously, when we started the business in 2017 the business ambition was much higher. We were expecting to grow. And up till COVID period, I think, we kept that trajectory going.

The business has been more, I would say, stable or stagnant for last 3 years, which has really been the time in which we have been trying to recover from the kind of expansive plans we have made pre-COVID, and as the situation emerged, we had a lot of inventory buildup.

So those are corrections that we have done. I think it doesn't change our picture on long-term view of this business. ABFRL, the combined ABFRL business had multiple growth opportunities, and we realized at some point of time, that we'll have to capitalize it and structure it differently to pursue independent growth opportunities more aggressively. Innerwear was one such. I think as it becomes part of a company which is fundamentally profitable free cash flow generator and it's an important part of its growth journey, Innerwear will get the attention which it would not have got when we had 5 or 6 such growth opportunities in front of us.

So you'll see going forward, while medium term, as Vishak indicated, we obviously want to get the trajectory of profitability right, but our ambition about being very competitive in size and scale in this business has not dimmed at all. In fact, you will see greater impetus to that being part of a company where every other part of the business has very strong and proven business model, this will get the attention that it deserves.

Moderator:

The next question comes from the line of Nipin Bora with HSBC. As there is no response, I would request we move to the next question. Our next question comes from the line of Rajiv Bharati from Nuvama.

Rajiv Bharati:

Sir, on the ABFRL demerged entity, if we were to add back that INR97 crores on the gross margin side, then the gross margin is basically up by close to 300 basis points. And on the post-Ind AS EBITDA is adjusting to the same thing, is up by 410. So the cost of retailing, which is the gap between the two is up by 130 basis points. And this includes your store closure effort

and also you said leverage on procurement stuff. But 130 basis points for the entire, is there more juice left here which probably we will see in the subsequent quarters or this is it?

Ashish Dikshit:

So I think this is -- I wouldn't say any part of this business this is it because this consists of many businesses with very, very different margin trajectory, margin profile. So I would be hesitant to make observation because the mix of businesses in this itself is going to change as we go forward.

I think you should look at individual businesses, which is why we give segmental results in this, which contribute to the overall picture. So it will more be driven by the mix of the individual businesses and the improvement within the business itself. So there is a significant improvement possible in this.

Jagdish Bajaj:

So Rajiv, what I suggested you look at my segmental result. The INR97 crores has gone into that elimination row, right? The individual businesses margins improvement, if you see Pantaloon's margins have gone up from 13% to 16.9%. This I explained to you because of onetime effect, it's the interunit or intracompany elimination, therefore, it does not include into the Pantaloon's segment's margin.

Rajiv Bharati:

Sure. Sure, sir. Just one thing on your acquisition in the Ethnic side, TCNS, you said it will be profitable by FY '27, is that right?

Ashish Dikshit:

Yes, company -- this question was, I think, asked around the ABFRL as a full portfolio. And in response to that, I was saying, well, the company as a whole EBITDA will be profitable by that. Individual businesses also will be profitable by FY '27 with the exception of TMRW.

Moderator:

The next question comes from the line of Rajit Aggarwal from Nilgiri Investment Managers Private Limited.

Rajit Aggarwal:

Congratulations on a good operational performance across both the entities. I just have quick clarification on 2 or 3 items of both ABLBL and ABFRL. First is the interest cost, which still continues to be higher despite the repayment of debt. So do you see the run rate same as going forward for the next couple of quarters as well?

Jagdish Bajaj:

See, the interest cost, which you are seeing in both the companies in published results is a factor of financial charge as well as the Ind AS impact. So financial cost in ABFRL will come down significantly, but the Ind AS impact will continue. In ABLBL business, the finance cost should come down INR50 crores to INR60 crores next year, but the Ind AS impact will continue.

Rajit Aggarwal:

Okay. And can you share similar number for ABFRL as to how much reduction in interest cost can we see on the financial charge?

Jagdish Bajaj:

If you see my debt profile, you will realize that from a debt of INR2,000 crores last year in March, I'm sitting on cash. So there will not be any finance charge for this year.

- Rajit Aggarwal:** Right, sir. And on the debt piece itself, I mean, the expectation on ABFRL was that it would be debt free and that ABLBL would have only INR700 crores of debt. Now in both these entities, the debt numbers are higher than what was earlier mentioned.
- Jagdish Bajaj:** No, but ABFRL I said that at consol level, I have cash of INR2,300 crores, right?
- Rajit Aggarwal:** Right. I agree. I agree, sir. So I'm not concerned as such on the total debt or net debt piece. I just would like to understand how do you see this -- I mean, this debt will continue on the books and along with the cash, of course.
- Jagdish Bajaj:** Yes. Because these are long-term loan contracted at very attractive rate. So we want to continue and lenders also wanted to have continuity. So we'll continue.
- Rajit Aggarwal:** Fair enough, sir. And on the last bit, the depreciation that you mentioned that INR148 crores has not been accounted for. Now if we were include that INR148 crores, would that imply that ABLBL would have shown some loss in Q4?
- Jagdish Bajaj:** No, no, no. I explained to you that my reported INR150 crores, you should read that the PAT normalizes to INR250 crores for FY25. ABLBL I'm talking about because the depreciation impact is only in ABLBL. Yes?
- Rajit Aggarwal:** Right. Okay. So the profit would have been higher?
- Jagdish Bajaj:** That is right. That's right.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question of the Q&A session. Thank you very much. Ladies and gentlemen, on behalf of the management, we thank all the participants for joining us. In case of any further queries, you may please get in touch with Mr. Amit Dwivedi. You may now disconnect your lines. Thank you.