



“Aditya Birla Fashion and Retail Limited  
First Quarter Earnings Conference Call”  
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**Moderator:**

Ladies and gentlemen, good day, and welcome to the First 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 Q1 FY '26 performance, followed by a question-and-answer session. We have with us today Mr. Ashish Dikshit, Managing Director, ABFRL; and Mr. Jagdish Bajaj, CFO, ABFRL.

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 risks 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 evening, everyone. Welcome to the Q1 FY '26 Earnings Call. Thank you for joining us today. As we reflect on the first quarter, the apparel market witnessed selective growth pockets, largely fueled by higher wedding dates. That said, the broader market sentiment remains cautious and the pace of recovery continues to be gradual.

Against this backdrop, our focus has remained steadfast on driving profitability through disciplined execution and operational efficiency. All our businesses have either maintained or improved margins, demonstrating the resilience of our portfolio. Growth during the quarter was led by our newer businesses, which continue to capture the emerging consumer segments.

These segments are fast becoming key growth engines, supported by differentiated product offerings, sharper brand positioning and stronger consumer connect as reflected in their growing contribution to overall revenue from 37% last year to 44% this year.

Before financial performance, an update on corporate actions. TMRW gets first investment of INR437 crores from ServiceNow Ventures in its current round of external fundraise, leveraging the ServiceNow AI platform. TMRW will further enhance its speed to market, dynamic and focused assortment and seamless consumer experiences across the rapidly expanding omni-channel footprint. Relevant regulatory filings pertaining to the transactions have been completed.

On demerger, as previously communicated, all requisite processes have been successfully completed, culminating in the creation of Aditya Birla Lifestyle Brands Limited. The company was listed on the stock exchange on 23rd June 2025.

Coming to the financial performance for this quarter. ABFRL sustained its strong profitable growth momentum in Q1 FY '26, underpinned by a well-defined strategy of scaling its diverse, high-potential businesses with a disciplined focus on profitability. The company's consistent execution once again delivered healthy top line growth alongside margin resilience despite a challenging market backdrop.

Revenue for the quarter increased 9% Y-o-Y to INR1,831 crores, fueled by strong performance across key segments. Performance of ethnic and TMRW business stood out delivering 25% and

38% growth, respectively, reflecting the strength of their brand portfolios, expanding consumer reach and sustained demand momentum.

EBITDA rose to INR169 crores, up 38% Y-o-Y, supported by strong expansion in the ethnic business, where margins improved by 1600 bps, stable margins in TMRW and Pantaloons despite a softer market environment further impacted by the shift of Eid.

Excluding TMRW, rest of ABFRL portfolio delivered an EBITDA of INR245 crores, which is 49% growth over last year. This balanced growth driven by both scale and operational efficiency underscores ABFRL's ability to navigate market shifts while building a stronger foundation for sustained profitability.

As of June 2025, ABFRL held gross cash of INR2,070 crores. Let me first cover Pantaloons. The Pantaloons segment reported revenue of INR1,094 crores, primarily due to the shift of Eid and the impact of store closure over the last 12 months, adjusted for which growth would have been 4%. LTL this quarter remained flat. However, when adjusted for the shift of Eid from April last year to March this year, the normalized LTL stood at 3%.

For Q1 FY '26, the segmental margin stood at 17.1%, marginally lower than last year, largely owing to lower sales. Despite this, Pantaloons format once again delivered an EBITDA margin of 18% plus, underscoring the consistent strength of its retail operations, controlled markdown strategies and disciplined cost management across its network.

Style Up, the value retail format under Pantaloons continued its strong growth trajectory. The brand expanded its footprint to 49 stores during the quarter and posted a robust 36% revenue growth signaling expanding shopper base. This momentum positions Style Up well for accelerated scale up in the coming quarters and sustained growth in the years ahead.

Ethnic businesses, continue to be a powerful growth engine for us, anchored by the most comprehensive ethnic brand portfolio in India, spanning designer-led brands to premium ethnic wear brands. In Q1 FY '26, the segment delivered a stellar performance, reporting revenue of INR436 crores, up 25% Y-o-Y, one of the highest growth rates across our portfolio.

Profitability showed a sharp uplift with EBITDA margin expanding by 1600 bps, resulting in positive EBITDA this quarter versus a loss in the same period last year. The quarter's strong performance was driven by robust LTL growth across most brands, with occasion-led brands posting double-digit LTL growth on the back of a strong wedding season and sustained demand for occasion wear fashion.

Strategic actions, including curated seasonal collections, sharper merchandising and enhanced retail experiences further strengthened consumer connect and translated into higher productivity per store. Our designer-led ethnic portfolio comprising Sabyasachi, Tarun Tahiliani, House of Masaba, Shantnu Nikhil delivered an exceptional 79% Y-o-Y growth in Q1.

These brands continue to set benchmark in the luxury and freight ethnic space, driven by category extension, accelerated store rollout and continuous product innovation that elevated consumer experience and brand desirability.

Within premium ethnic wear, Tasva posted another standout quarter, capitalizing on the wedding season to deliver 72% Y-o-Y sales growth and 39% LTL growth. The brand further deepened its presence in key wedding hubs and strengthened its connect with Indian consumers, expanding its network now to 70 stores.

TCNS posted growth in revenue over last year despite store closures, demonstrating the resilience and strength of its brands. Growth was multichannel, led by 4% retail LTL alongside strong momentum in other sales channels. After a slow April, business has moved into a consistent double-digit LTL growth trajectory. Profits of the quarter saw a significant improvement versus last year, driven by higher gross margins and improved retail performance.

On luxury retail, comprising the multi-brand format, the collective and other mono brands continue to deliver double-digit profitability, posting single-digit Y-o-Y growth in Q1 versus last year. The format added 3 new stores to the network and now encompasses 44 stores.

Now TMRW portfolio grew by 38% versus last year this quarter. This strong organic growth was fueled by an expanded product portfolio, enhanced focus on D2C channels and impactful brand-building initiatives.

Portfolio brands accelerated their off-line expansion and exited the quarter with 25 stores across key markets nationwide. The current fundraise will position the brands well to continue to keep this high growth momentum and realize our ambition of building multiple large digital-first brands.

In conclusion, this quarter's results underscore ABFRL's ability to achieve profitable growth marking the fourth consecutive quarter of year-on-year margin expansion. This reinforces our confidence that our emphasis on innovation, retail productivity and disciplined cost management has strengthened margins and maintained resilience even amid a cautious demand environment.

Going forward, we'll continue to scale our core market-leading brands while accelerating momentum in our newer high potential segments. With the festive season arriving early, we are well positioned to capture demand through compelling product stories, enhanced retail experiences and a wider omni-channel presence.

Our strategy remains clear, build on the strength of our brands, sustain profitable growth and create long-term value by staying ahead on evolving consumer preferences in the Indian fashion and lifestyle space. We are open to questions now. Thank you.

**Moderator:**

Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Aditya Soman from CLSA.

**Aditya Soman:**

Sir, 2 questions from me. Firstly, on the sort of very strong EBITDA trajectory for the ethnic business. So we've seen strong growth and now sort of EBITDA also improved. So can you give us some sense of how you see this trajectory evolve over the short term and then more importantly, over the medium term and where you feel steady-state EBITDA for this business should be?

And then secondly, for the Pantaloons store closures, so there was a sort of a 2.7% store reduction, but I see that the area is actually flattish. So one, anything to read across in that? And secondly, would this represent sort of the -- would we still see further store reduction? Or do we think for now, we are very good in terms of store count and we could potentially see an increase down the line?

**Ashish Dikshit:**

Thanks, Aditya, for those questions. On the ethnic portfolio, I would first say that there is consistent improvement across the portfolio of the brands, but we have a mix of brands, which are well-established, highly profitable brands, which are in the turnaround phase like TCNS and the brands, which are in buildup phase like Tasva.

So the first part is most of these businesses benefit from wedding seasons, which are largely in the second half of the year. The cost base remains pretty static, but the revenue is significantly higher in the second half versus first half. So you will see a much sharper increase in profitability as we move towards the second half of the year.

Having said that, the 3 constituents, which is designer brands, the turnaround business of TCNS and Tasva will all have different trajectory. I think designer brand portfolio is quite stable. I would argue in high 20s in post-Ind AS terms to some of them in high 30s is really where the steady-state margin will fit.

The premium brand portfolio, which is Tasva is still scaling up. You can see the quarter performance 70-odd percent growth, 39% like-to-like. I think we'll continue to push it. Profitability is somewhat away as far as this business is concerned.

We think FY '27 end is where we'll get to the breakeven in Tasva. TCNS has been showing strong improvement, but still while at the post-Ind AS level, it's turned positive, pre-Ind AS terms, it's still somewhat below the breakeven level.

I'm very enthused by the turnaround trajectory in TCNS and the acceleration in Tasva, while the designer brands by themselves are already in good space. As a portfolio, therefore, Aditya, if you look at it ethnic wear business, which we at 0 presence till FY '20, we now have a business which was last year close to INR2,000 crores, growing this quarter at 2%.

But I would say even going forward, one could imagine a 20% kind of growth rate. And as TCNS kicks in, perhaps that would be even stronger and a portfolio level of post-Ind AS EBITDA margins north of 20 percentage what we could look at as why this business is concerned.

We are not there yet. There's also seasonality between first half and second half, but that's really where we think the ethnic business. So it's a very beautiful business shaping up extremely well, both in terms of size and profitability.

On your second question on Pantaloons. We did a fairly deep network correction, if you have followed the business over last 15 to 18 months from a network of stores, which is north of 460, now we are talking closer to 400, and much of it has happened in the last 12 to 18 months.

I think we've hit the bottom end in terms of store closures. You are going to start to see net store additions as we go forward. The new store in line with the strategy that Sangeeta had sort of laid down is about opening larger stores.

So while the number of stores may be fewer, the size of the stores will be more like 20,000, 25,000. If you see any of our new Pantaloons store, it's cleaner, bigger, more impactful and very modern and contemporary.

Some visuals you can see in the presentation itself. And that's the direction for Pantaloons, which we've have been consistently following as a part of our re-pivot, which we started 2, 2.5 years back when we made the correction in distribution as well as the imagery of Pantaloons.

**Aditya Soman:** No, I understand. Very clear. Just maybe one follow-up on Tasva. Obviously, growth here is very strong. But when we sort of look at -- when we say it's available across 70 stores, this includes sort of -- these are just stand-alone Tasva stores or these are also other.

**Ashish Dikshit:** Absolutely. No, no. This is absolutely. That is just stand-alone Tasva stores.

**Aditya Soman:** Understand. So the LTL is just -- this 39% is on the stand-alone Tasva store versus stand-alone.

**Ashish Dikshit:** Yes, about 50 of the 70 stores would be part of the LTL base.

**Moderator:** Our next question comes from the line of Archana Menon from Morgan Stanley.

**Archana Menon:** My questions are on Pantaloons. Firstly, on the marketing and brand building side, I mean, what is the spend currently as a percentage of revenue for Pantaloons? And how has that been in the past? Are we thinking of taking that up in this year and in the years to come?

And the second question was on the retail identity. There's a mention of the new retail identity and some pictures. But just wanted to get a sense from you that of your total 400-odd stores, what percentage of stores would be, say, under the old retail identity, which maybe are not so happy let's say, maybe 5 years earlier. So what is that percentage? And how are you thinking of refurbishments and renovations going ahead?

**Ashish Dikshit:** Okay. So Archana, as far as Pantaloons marketing spends are concerned, they have been in the range of 1.5% to 2% historically. At its peak, maybe 2%, 2.5% at the low point, maybe 1%, 1.5%. But typically 1.5% on an annualized basis. Of course, quarter-on-quarter, these numbers look very different. But on an annual basis, I think you could assume a 1.5% kind of base as the number that we have.

We expect in a shorter term, which is next year or so, this percentage to marginally go up primarily because we feel we now have a new proposition. The Pantaloon stores, the product portfolio, the aesthetics, the design cycle, everything that now is represented in the new Pantaloons is a big shift from what we used to be. So every element of innovation aesthetics, retail display, the consumer experience has significantly moved.

So towards the festive part, we may spend a little bit more for a short period of time. I don't think it will change the long-term sort of investment of 1.5%, 2% kind of range. It won't be any

different. But a short period of time, you might see in some quarters, some of the more targeted spends typically closer to the festive period.

On the retail ID, it's been an evolving story. The latest retail identity that we are talking about is obviously, very, very new. But if I were to count the last one or the ones that we are very happy with, and it's modern and contemporary and in line with the current position, about 50% of our network is of the new identity that we are happy with.

There is a task in the remaining 45%, 50%. We will take it slowly over a period of time. Not all these stores are based in big cities where it's required as those cities are experiencing better retail environments far more rapidly. So we'll pace the rollout of new retail identity and take it over a 3, 4-year period.

**Archana Menon:** Understood. And just 2 follow-ups. First, if you could just help me with the city presence for Pantaloons now after all the store closures? And secondly, for TMRW, after the fundraise, what would your stake be right now?

**Ashish Dikshit:** About 185 cities is where our presence is, 185 to 190. Is that what you're looking for? Or are you looking for any more granularity than that?

**Archana Menon:** No sir, this is good, 185 and 190. And on TMRW on your stake currently?

**Ashish Dikshit:** TMRW, it's early double-digit stake that ServiceNow Ventures has invested in for their INR437 crores. It's 11-odd percent kind of stake. The exact details are probably in the filing, but that's a rough stake that they have. The remaining stake lies between ABFRL and a small part within that in the ESOP and employees.

**Archana Menon:** Understood. Just last question, sir, what would your current investment be in TMRW so far?

**Ashish Dikshit:** TMRW, we have invested INR770 crores through equity investments in different forms over the last 3 years, 3 or 4 years.

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

**Kunal Shah:** My question is also on TMRW. So with this capital raise, your cash burn in this business is not that high. What are the areas where this will be invested? Are there more acquisitions planned? Or off-line expansion? Or how would this capital be allocated under TMRW?

**Ashish Dikshit:** So Kunal, two parts. One, capital raise process is still on. We expect to raise more capital in this round. The first announcement you've seen. But as I've always maintained in our previous calls, we are looking to raise close to or north of \$100 million. Where would this be used? You're right. There is a part which will go towards the funding of the businesses since it's still not cash flow positive or EBITDA positive at this stage.

So first part of it. Our focus currently is on growing what we have. We have a portfolio of very powerful brands. Some of them when we acquired were as low as INR10 crores a year and have grown from INR100 crores to INR200 crores a year. Some brands were INR200 crores have grown to INR300 crores. Some require acceleration, some requires more branding effort.

But by and large, it's for acceleration of growth of this business is where the capital will grow. As you would have seen in our presentations, the EBO expansion because we want to truly build an omnichannel digital-first experience, but omni-channel for our brands, a brand such as Bewakoof, the Indian Garage Company, Nobero, etcetera, have started expanding offline. Wrogn had already had some presence. So there would be a part of capital that would go towards that capex.

**Kunal Shah:**

Understood. And the second question is on TCNS. If I heard it correctly, you said after April, this business is moved to a double-digit like-for-like growth. Is that understanding correct?

**Ashish Dikshit:**

Yes. Yes. So this business, as you know, had been struggling to get organic growth for some time in the past. But in last 4 months, 4, 5 months, we've changed the trajectory. Only April was affected to some extent. And that was also partly due to shift of Eid.

But if you leave that aside, every month is delivering good, strong high double-digit like-to-like growth. And that's a very assuring for us because a lot of changes have been done in merchandising, retail execution has been significantly revamped.

The old inventory is out of the system. Poor stores are out of the system. So we are finding a very strong trajectory. And therefore, our thesis on investment in TCNS is looking much more surer and stronger now at this point versus any time in last 12 to 18 months.

**Kunal Shah:**

Understood. And if I may get this data on what is the percentage of revenue that this -- or what is the percentage of revenue coming from retail, which this LTL growth captures, if I can have some understanding of that? And in the other parts, the other channels, are you looking to consolidate? Or has that already happened and is that is behind?

**Ashish Dikshit:**

So it's north of 50%. I'll just figure out if there is a significant deviation, the retail share. Yes, it is about 50-odd percent. Department stores and e-commerce constitute the large part of the remaining business because the MBO business is very small. I think the business is now well positioned with everything that needed to be sorted out to even grow in department store channel, which had stagnated over a period of time in the last 1 or 2 years when we're fixing the product.

I will see growth coming there also in the next couple of quarters as well as online business, although online business as an overall business is only about 15%. But I expect the share to rise as far as online is also concerned.

**Kunal Shah:**

Understood. And any plans to expand the store network now again in the retail channel or that is still some time away?

**Ashish Dikshit:**

So Kunal, as we had mentioned, a part of our strategy was first to remove bad inventory, bad costs and bad stores, which we did in first 8 to 12 months. Then was to revitalize the merchandise as well as revitalize stores, which is what is executing, and we are very happy to see the kind of outcome that's delivering in terms of same-store performance. As we move towards second half and perhaps towards the later part of this year is when the expansion would start. The real impact of that you'll start to see only next year.



- Kunal Shah:** Understood. And in that case, pre-Ind AS profitability also should come next year probably on a full year basis?
- Ashish Dikshit:** Yes.
- Moderator:** Our next question comes from the line of Gopal Nawandhar from SBI Life Insurance.
- Gopal Nawandhar:** Congratulations on this external fundraise for TMRW. So my question was on -- we have seen improvement in the profitability of TCNS. So when we should start seeing the addition of network in TCNS?
- Ashish Dikshit:** Gopal, thanks. As I was explaining to Kunal, we want to be sure that business is in good place, product is working, stores are working, the viability is strong. So in last 4, 5, 6 months, we have started to see the outcome of it, when the like-to-like first moved from negative to positive and now moved from positive to double-digit positive. This gives us a lot of confidence. Of course, store pipeline takes some time to build.
- So you'll start to see perhaps second half of this year, you might see 30 to 40 store addition. But next year onwards, if this trajectory continues, we're very confident that this improvement is quite structural and strong. We'll start expanding more rapidly next year or the -- we may start to do towards the second half of this year, but most of the benefit of that will probably come next year.
- Gopal Nawandhar:** Okay. And Pantaloons side also, we have seen consolidation of network. What is our plan there in terms of -- will there be a net network addition this year? Or we'll still continue to rise the sizes of the stores?
- Ashish Dikshit:** So I think in absolute number of stores, there may not be significant addition, but the network is improving both in quality and size, number of stores that we are opening between 20,000 to 30,000 is where the focus of new Pantaloons is. A lot of our network of small stores is what we are looking to rationalize.
- This year, there may be only marginal increase in network, although the space increase will be material. But going forward, I think Pantaloons has bottomed out its stores that we wanted to close. And we expect next year onwards to start adding to the store network as well.
- Gopal Nawandhar:** Okay. And sir, on the TMRW side, losses in this quarter was a little higher versus what has been the run rate in last few quarters. With this fundraise and our focus shifting more on the offline stores, how should one see the profitability trajectory for this business?
- Ashish Dikshit:** So you're right, Gopal. I think the quarterly performance, while there on the revenue side was very strong with 38% organic growth. The losses have marginally gone up. In percentage terms, they were similar to last year, but in absolute terms, that has gone up. I think in second half of the year, we will see that trajectory also beginning to change.
- Fundraise will, of course, be put for also expanding offline business to get the balance between offline and online. Offline businesses, the benefit, Gopal, it brings is brands which are seen only

online, the credibility comes and the stature comes from offline presence. Offline business also allows us to typically increase the gross margins by higher price points, superior products, which sometimes get lost in online business.

So we are finding almost 10 percentage difference between the gross margin that we deliver in offline business versus the online business. But still, the share of offline today is small as it improves, the shape of profitability will start to shift there.

**Gopal Nawandhar:**

And sir, can I ask questions on ABLBL and this...

**Ashish Dikshit:**

We would probably, Gopal, not be able to address that in this call, but we will reach out to you separately for any question. Amit will connect with you.

**Moderator:**

Our next question comes from the line of Harsh Shah from Bandhan AMC.

**Harsh Shah:**

So basically, Ashish, just like Tasva, like Style Up would be in the investment sale, I would believe, right? And while you kind of laid down your ambition for Style Up over a 5-year period, I would just want to know probably what would -- I mean, kind of guidance for the next couple of years, let's say, what would that be? And currently, at what revenue per square feet, let's say, the initial cohort of stores, right, it might be 10, 15, 20 stores. What revenue per square feet basically are they operating at currently?

**Ashish Dikshit:**

So I think our projections for Style Up, we have mentioned our long-term plan. We currently have about 49 stores at this point of time. We look to add about 40 stores this year, which will increase the size of the business. And the productivity has been varying between -- if you look at sales per square feet per day, between 20 to 25 in some of the lower-performing stores to 35 to 40 in some of the higher-performing stores depending on the location, the kind of market that it is.

It needs to go up from there. But at current level of performance, the store network as a whole is profitable, which means the contribution at the store level is positive as for the entire store network of 49-50 stores. As we scale, get some leverage of scale, both on the gross margin as well as visibility of the brand, I think that's where the positive flywheel will start to set in.

**Harsh Shah:**

So there is -- basically at EBITDA level, there is no cash burn in this format as well.

**Ashish Dikshit:**

There is a cash burn at EBITDA level to cover the overhead cost of the operations.

**Harsh Shah:**

Okay. The format level, basically, it's EBITDA positive, but let's say, corporate level, it's still...

**Ashish Dikshit:**

Yes. Retail store level is positive, but the corporate overheads are not covered.

**Harsh Shah:**

Okay. When -- let's say, where would the peak losses be basically in this business at EBITDA level? And when do you foresee at what level of scale?

**Ashish Dikshit:**

See, I think we'll discover it perhaps in next 18 to 24 months because if this rate continues, which means as we add more stores, the store losses are not there. And therefore, we have a higher leverage available to fix on fixed cost.

But we also recognize that on the other side, as you scale the business, you'll have to also increase your team size, operations, so fixed overheads will also grow at this point of time. So maybe for next 2, 3 years, we will have some level of losses at this point of time because overheads, we may have to increase a little bit more ahead of actual expansion.

And that's the period we'll go through. But I think both the size of the opportunity as well as the current performance gives us confidence that it's a fairly scalable business, and therefore, leveraging of overheads is something that we'll be able to achieve in maybe 3, 4 years.

**Harsh Shah:**

But is there a case where you see to kind of accelerate the store expansion because at current scale and looking at what the other players are expanding, probably 40 stores looks probably slightly on the lower side. Is there a possibility that given the confidence that you have in the store format and the store level profitability, this can go up to 60, 70 stores or something of that sort?

**Ashish Dikshit:**

Very easily. And certainly, I think we just want to -- I think the only point I would make is that it's a very large opportunity and a market which provides a very long-term growth piece. We don't want to rush into it because this will be an opportunity not just today, but in FY '30 and FY '35 also.

And therefore, we are equally focused on making sure that we get it right, continue to refine the proposition, improve the product, while simultaneously growing this year at 45, 50 stores but after that, between 75 to 100 stores is pretty much on card.

**Harsh Shah:**

Got it. And one on Sabyasachi, I mean, at least for this quarter has been fantastic. But if we look at the last couple of quarters, 2Q, 3Q, probably the growth rate has tapered off. So what really changed in this quarter, which led to such high growth? I mean if you could give some qualitative color on it would be helpful.

**Ashish Dikshit:**

No, I do think this growth rate last -- even the quarter before, which is quarter 4 was fairly stable, good growth rate, of course, not like 40%. See, remember, all wedding their businesses. Tasva had 72% growth, Sabyasachi, whatever, close to 40% growth, Tarun Tahiliani, all the businesses have also benefited from a low wedding base of last year. To that extent, this is not the organic growth number.

This is a reflection of a lower base and which is, to some extent, is what is showing up in anybody who has the share of exposure to wedding-related purchases. I don't think, however, there is any absence of growth momentum in the brand. It's a very, very powerful brand. Obviously, it's a brand which you don't want to rush in and grow like we may want to grow with Tasva or Style Up to that extent. But the brand trajectory will continue to grow extremely well.

**Harsh Shah:**

And has that contribution of, let's say, jewellery in Sabyasachi increased meaningfully, let's say, on a Y-o-Y basis? Or I mean, let's say, in jewellery, apparel and accessories, that label what they have. So has the contribution been stable on a Y-o-Y basis? Or is it more like driven by apparel or some kind of...

- Ashish Dikshit:** Jewellery is a category in which Sabyasachi brand's share has been growing consistently over a period of time. It's a very large category. And Sabyasachi brand as well as Sabyasachi himself is spending a lot of time in refining the proposition, taking it very high end because no Indian jeweller has reached the level of pricing sophistication that he has, not just in India but outside. But obviously, compared to the size of the market in jewellery, it's a small business. But as a part of his mix, it's a meaningful mix now and growing as a share of the overall portfolio.
- Harsh Shah:** Okay. Got it. And just one more, basically, on Tasva, what would be the store addition plan this year? And also, gross cash is INR2,000 crores, but what is the net cash currently with us as on 30th June?
- Ashish Dikshit:** So Tasva store addition plan is about 40 stores this year, plus/minus a few, but that's really the total store addition plan for this year. On the gross to net cash, there will be debt lying in TMRW and there's debt lying in stand-alone entity, and there is debt parts of the ethnic subsidiary. So Jagdish can...
- Jagdish Bajaj:** See, Harsh, with us at a stand-alone level, I have cash of around INR1,900 crores and a borrowing, which is INR750 crores for -- this is long term, falling due in '29,'30. We have adequate cash for the future expansion plans.
- Ashish Dikshit:** That remaining on TMRW, which also will get offset by the current fundraise. So that number will move significantly post this fundraise. And there is debt lying in some of the ethnic subsidiaries.
- Harsh Shah:** But not meaningful, right? I mean, if you could quantify that, the debt in the ethnic subsidiaries?
- Jagdish Bajaj:** That's maybe another INR600 crores. I don't know.
- Ashish Dikshit:** Without TMRW?
- Jagdish Bajaj:** Without TMRW, it is not more than INR200 crores.
- Harsh Shah:** Yes. So about INR200-odd crores lying in subsidiaries.
- Ashish Dikshit:** And TMRW, of course, we will again turn net positive because the debt currently will be offset by the equity raise that we're doing.
- Moderator:** Our next follow-up question comes from the line of Kunal Shah from Jefferies.
- Kunal Shah:** My follow-up is on this TMRW capital raise. So just wanted to understand this 11% dilution would imply, I think, valuation of around INR4,000 crores, right? So is there any performance benchmarks? Or is this valuation independent of all of those things given its based in a CCPS form?
- Ashish Dikshit:** This is like a regular equity investment in form of CCPS. No, there's no -- sort of if you're seeing is there any strings attached to it? No.

- Kunal Shah:** Understood. And if you include the brand which is not consolidated, I think one of those, the total revenue would be around INR1,000 crores, right, for this business?
- Ashish Dikshit:** So last year, as we keep -- I think last year annualized revenue would have been close to about INR1,000 crores if you were to add Wrogn business to, which is where we currently have minority stakes. And it's growing at about 30%, 40%. So we expect the run rate to be closer to INR1,400 crores to INR1,500 crores by the end of this year.
- But at this point of time, without consolidation, our -- last year without consolidation, our revenue was INR650 crores, which did not include Wrogn revenue, which would have been another INR200-odd crores. So we would probably be about INR850 crores, INR900 crores last year revenue and if you were to consolidate Wrogn.
- Moderator:** Our next question comes from the line of Gaurav Jogani from JM Financial.
- Gaurav Jogani:** Sir, my first question is with regards to the capex. What kind of capex are you looking for, for this year and the next couple of years?
- Ashish Dikshit:** So I think at this point of time, we have regular capex for most of the businesses and a one-time capex. The one-time capex, I would say, is what we are completing this year for Galeries Lafayette store, the store which is likely to open towards end of this year. So that's one-time capex. If you exclude that, I think the overall capex plan for other businesses put together will be in the range of about INR300-odd crores.
- Gaurav Jogani:** And if we add the Galeries Lafayette, it would be INR500 crores for this year and...?
- Ashish Dikshit:** Yes. That's for this year.
- Gaurav Jogani:** Okay. Sir, my second question is with regards to the losses that we are seeing in the TMRW business. Though that number has increased, but I think there -- I think the EBITDA also constitutes of the losses of Wrogn in that? Am I correct in my understanding?
- Ashish Dikshit:** Yes. We cannot really share of our losses. We consolidate in losses, although we don't take it in revenue. So it is inclusive of that, yes.
- Gaurav Jogani:** Okay. So that is also one of the reasons why the losses seems to be higher on Q-o-Q in that context?
- Ashish Dikshit:** Yes.
- Gaurav Jogani:** Okay. Okay. And sir, with regards to, again, TMRW, what would be the final game plan here? I mean though I understand that it will be in a high aggressive expansion mode and which you want to expand further. But when can we see at least post-Ind AS breakeven here in this format?
- Ashish Dikshit:** So TMRW, there's not too much of a difference between post and pre-Ind AS numbers. There is some. And as we increase the share of offline, perhaps that may grow over a period of time. As we have indicated in our investor presentation also, which we made beginning of this year.

TMRW, we are looking at FY '29 as the year in which we will try to look at EBITDA breakeven. So that's the journey that you should be on.

**Gaurav Jogani:** Okay. Okay. But given the performance in terms of the top line growth etcetera is encouraging, do you think that it could be sooner versus what you would have expected earlier than that?

**Ashish Dikshit:** No, honestly, I don't see that. I don't -- I mean, we will be happy to get there. But at this point, I wouldn't want to indicate that.

**Gaurav Jogani:** Okay. And sir, on Pantaloons, the Pantaloons bit, we are seeing that there is some losses because of the Style Up business plans as well. And I mean, ex of this and ex of the marketing spend, I believe you indicated that the profitability would have been higher. So once Style Up also starts to contribute profitably, what kind of margins then you expect in Pantaloons to deliver on a steady-state basis?

**Ashish Dikshit:** So if you were to stay with post-Ind AS and then we'll come to pre-Ind AS, I think Pantaloons itself is currently and consistently operated at about 18% plus EBITDA margin. Style Up is obviously taking away while it's marginally positive, but it's taking away. Therefore, the segmental results are close to 16%, 17%, depending on which quarter you are talking about. This quarter, it was 17%. Previous quarter, it was 15%.

So I think that's the range in which the current profitability is operating. We don't think we have achieved right level of profitability in Pantaloons itself. And we think another 300 to 500 basis point improvement in profitability, whether you look at the pre-Ind AS or post-Ind AS is really what we need to deliver in Pantaloons.

Style Up will start from a lower base. In pre-Ind AS terms, it will go through a loss phase, which is what it's going through. But the encouraging part is that loss will not grow rapidly with the network because the network itself is not losing money. And I think as we bring scale and create greater sort of brand visibility through supply by more stores, etcetera, we expect to improve that performance. But it will continue to remain loss-making for at least next 3 to 4 years, but not at a very high level of losses.

**Gaurav Jogani:** Sure. But then you said that the original Pantaloons would see some 300 to 500 bps from that level and then we have to blend...

**Moderator:** Our next question comes from the line of Sameer Gupta from IIFL Capital.

**Sameer Gupta:** So firstly, on Pantaloons. It's been some time now that we've been hearing about the new identity that has been rolled out. I heard on the -- through this call that around 51% of stores are now on the new identity. So let's say, the top end of these stores, may be just spent around 2 years under this new identity.

Any performance metrics you can share here, same-store sales growth, the revenues per square feet kind of metric that they are tracking? Are they on the right track? Are they -- is this strategy showing results? Anything that you can highlight on that front?

**Ashish Dikshit:**

I think I would say the answer to your question is very simple. If you look at Pantaloons as a business, it was FY '23, when we started the journey, it was operating at a margin of 14% to 15%. As we speak today, you can look at last 6, last 8 quarters, we are operating at 18%. So is this strategy working? Yes.

I don't want to get into specific store level slices. I don't have it at this point of time, but I can also reconfirm to you that the new stores, the better stores are performing better than the old stores, and that should be natural. But eventually, the outcome of it is showing up in that absolute store -- absolute numbers that we are talking about.

**Sameer Gupta:**

Got it. But internally, do you slice it...?

**Ashish Dikshit:**

We look at it, but we look at it every store level also because what happens, Sameer, sometimes the location, its potential, all that also matters in coming up with numbers. So sometimes averages miss out the bigger picture and 400 store is not too many stores. And we are looking at 40, 50 stores that we're converting into new identity either through new store addition or through renovation. So it's a number which we very closely track.

**Sameer Gupta:**

So Ashish, see, the point I'm trying to make here is that margin improvement is great, but Pantaloons, if you look at it over a longer-term history, we have been able to improve margins and ROCE profile. The only problem area that I find is that there is no real history of same-store sales growth on a consistent basis. And with this new identity rollout, if that problem is still persisting, then it's a problematic area, right?

**Ashish Dikshit:**

See, I think for us, the more important thing is to figure out profitability. If we figure out profitability, right, I won't worry about other pieces. So the intermediate metrics don't define the end outcome. Does every retailer need same-store growth? Absolutely right, Sameer. Is Pantaloons delivering it? I think for quite some time, it's not managed to do that. However, it's a journey. And therefore, as you're seeing it, we'll hopefully start to get that sometimes where some are lead factors and some are lag factors.

And we are beginning to see some of this starting to show up in our network. And the total number of same-store growth will take longer to show up as the share of these stores increase over a period of time as many of these stores are also -- remember, new retail identity are new stores. They will also increase their share as the number of such stores go up from current, let's say, 45% of network to 60% to 65% of network.

But indeed, that's the Holy Grail. We're trying to chase, which is getting to the same-store growth and completely agree with you. That's something that Pantaloons has not delivered consistently for some time.

**Sameer Gupta:**

That's great to hear. Second is on Tasva. Now I understand you mentioned 40 store additions this year is what the target is. But if I look at more recent history, we've been very slow in terms of store expansion. We were at around 57, if I remember, by end of March last year. And right now, we are at 70. So is this a conscious strategy that we just look at the first 50, 55 stores as a pilot and be conservative in terms of store additions and then scale up, still trying to figure out store economics?

**Ashish Dikshit:**

No, I think we have gone past the stage of questioning the viability of figuring out the concept. If you see any of the Tasva stores now, you get a sense of fairly established concept. We obviously want to be careful. It's a category which has very high seasonality. The growth -- we are not opening 2,000 square foot stores.

If you look at plus -- but for a few malls, most of the Tasva stores are fairly large stores in fairly well-established markets, which means large rentals in absolute terms, both by rentals and size. And therefore, we want to remain cautious. This is a market which is available for us over a long period of time. As we had mentioned, our goal was to get 200-odd stores over the next 3 years.

Currently, 40 is perhaps not the right level. So we are currently likely to go closer to about 90 stores by the end of this year. Hopefully, we'll be able to expand that a little bit faster, but don't want to do it in a hurry. It's not a value format, which you can scale up very easily. And by and large, you'll get enough customers at that price point in any locality.

It's a bit of a destination shopping. It's important to get the right store, right location, right facade, and that's taking somewhat more time than what we would ideally like. But from the concept per se, the retail viability, there is no question around it. I think it's a format which is working very well.

**Sameer Gupta:**

Got it. This is very, very helpful. Last question, if I may squeeze in, and it's related. So now Tasva, you mentioned it is a more measured strategy in terms of store expansion. Pantaloons, in any case, 15 stores around you're targeting. So there also, you are measured. Designer brands are anyway self-sufficient. TCNS is on the path to profitability.

TMRW, you expect losses to come down from second half. And you are still sitting on a decent amount of net cash. So what was this need to raise capital in TMRW at this point? I understand there is a trajectory of losses that you foresee in the coming years. But at this juncture, why like did you get to this capital raise?

**Ashish Dikshit:**

So Sameer, I think if you look at absolute cash in the books and the businesses need cash, your question is absolutely valid. But I would also remind you that we have been fairly consistent about our philosophy of capital allocation and in various businesses. When we launched TMRW in 2021, we talked about that initially ABFRL will fund it, give it some level of investment, allow the business to come to a certain size, and we will get investors, external investors.

And over the next 8, 10 years, build a company which can find a very digital native path to this industry, which is fashion industry and have its own public market journey as we go forward from private to public. And in line with that, we had stayed with stating -- even in the last fundraise, we had called out that the capital will not be used for TMRW because TMRW has its own access to capital and potential attractiveness for investors because of its high growth trajectory. And that's exactly what we've got played out. So this is pretty much what we said 4 years back, 2 years back and 6 months back.

**Sameer Gupta:**

Agreed, Ashish. This is very, very consistent to what you have been saying. But isn't the message going then that you're not very confident of the scale up future of TMRW versus the other brands because there are other brands in the portfolio which are loss making as well.



**Ashish Dikshit:**

No. But for TMRW, we created Sameer, as a separate company 5 years back, and we have consistently stayed with exactly what we said then now. And as I said, this is our strategy. When we play out our strategy, we will stay with what we have said.

There's no reason to change it dramatically. So I don't understand where your question is coming from. When it was clearly stated in our capital allocation principles, which we laid out 6 months back, which we laid out 4 years back also. And this has been our strategy.

**Moderator:**

Our next question comes from the line of Jignanshu from Bernstein.

**Jignanshu:**

Ashish, I know we discussed a lot about Pantaloons. I just wanted to get clarity on one thing. This new rebranding exercise that you want to do. And probably, in general, our "turnaround approach" for improving the same-store sales growth at Pantaloons to recover our rentals, etcetera.

What are we changing with this new identity? Like what are we solving for? Is it more premium experience and hence, better margins? Is it a larger variety? Is it just a look and feel to differentiate it or modernize it? I think that would be helpful to understand.

**Ashish Dikshit:**

Okay. Jignanshu, first, I would say that while we are calling -- you're calling it new retail identity. This is -- there's no rebranding. It's the same Pantaloons brand being prepared as times change, the retail experience gains, the landscape is changing. International brands are creating more aspirational retail environment.

New retailers are coming. So this is in keeping with the times. This is something that retailers around the world do when the markets are evolving. In Western mature markets where the maturity has already been reached, this happens once in 7, 8, 10 years. But in a country like India, which is still evolving, consumers experiencing differential levels of retail experience, you have to constantly evolve. So this is not something that we're doing a onetime exercise.

We have been actually improving retail experience in line with what we felt was the current state at that point of time over the last 5 or 7 years, the shift is more significant here. But coming to a more substantive part of your question, the whole idea is this.

If you look at the bottom of the pyramid in value retail, there is a fairly large number of competitors who are actually crowding that space, more are coming, selling clothes between INR300 to INR1,000, whether it's large number of online players or multiple offline players. Pantaloons over a period of time has delivered for Indian middle class, a good quality, reliable and reasonable fashion for its customers over a period of time.

As the definition of good quality changes because a lot of product becomes available at lower price points, Pantaloons need to upgrade and justify and attract that customer to upgrade from cheaper products, lesser quality products to better, more reliable products because the brands are still further up and they are far more expensive. So this is what we are trying to do.

In the journey, therefore, what happens? Your customer profile, which is wanting to get out of cheap products and looking for better quality, either in fashion or durability or any other

functional property starts to look at better options and Pantaloons is well placed for that. It's a familiar brand and it offers that.

In financial and economic terms, it obviously increased average bill size. It increases the gross margin because you're able to offer better product at slightly better price. And so -- and also the other benefits in terms of cleaner display, customer convenience and lower stock density and therefore, better inventory turns, lower markdowns, all of which actually both financially and for customers, create value. So that's a journey for us, and that's been the consistent path on which have been following.

**Jignanshu:**

Okay. One quick follow-up. What is the interplay between the ethnic wear of Pantaloons and our TCNS products? So do we think of that as complementary as competitors to each other? And do we sell TCNS products inside Pantaloons or do we plan to?

**Ashish Dikshit:**

The TCNS has been selling inside Pantaloons for 20-plus years. It's India's -- W, for example, is India's most successful, the largest ethnic wear brand for a long period of time, and Pantaloons has had share of external brands all the time. TCNS continues to be a part of it.

If you look at Pantaloon's own business, close to 18%, 20% comes from ethnic wear. Of this, a significant part comes from Pantaloons private labels, but there is a part which comes from external brands and W is the number 1 external brand in Pantaloons.

But not -- it's not linked to our acquisition. It was so even before we invested in TCNS. I think there is nice complementarity about it. It enhances our understanding of the premium ethnic wear. Over a period of time, I think this will create interesting further possibilities for the company.

**Moderator:**

Thank you very much, ladies and gentlemen. On behalf of the management, we thank all 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.

**Ashish Dikshit:**

Thank you.