



“Aditya Birla Fashion and Retail Limited  
Second Quarter Earnings Conference Call”  
November 05, 2025



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**Moderator:**

Ladies and gentlemen, good day, and welcome to the Second 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 Q2 FY '26 performance, followed by a question-and-answer session.

We have with us today Mr. Ashish Dikshit, Managing Director, ABFRL; Mr. Jagdish Bajaj, CFO, ABFRL; Mrs. Sangeeta Tanwani, Director and CEO, Pantaloons segment. 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. Thank you for joining us today. I would like to welcome you all to the Q2 FY '26 earnings call of Aditya Birla Fashion and Retail Limited. Looking back at the quarter, the overall demand environment remained largely in line with previous quarters with cautious consumer sentiment across key categories.

The early onset of Pujo in Q2 acted as a catalyst for apparel demand, driving higher footfall and improved conversions across retail stores. However, there were issues related to rains in Kolkata and closure in Northeast, which impacted the shopping momentum for a brief while during peak festive period.

Amidst this, our business continued to perform strongly, delivering a robust double-digit growth during the quarter. All segments reported healthy like-to-like growth, reflecting the depth and relevance of our product portfolio, the consistency and quality of our retail experience and the growing trust and loyalty of our customers across brands.

Before we move to the financial performance, I would like to highlight a few key business milestones. In this quarter, we launched OWND!, our new Gen Z focused brand, opening its first store in Bengaluru. OWND!, the brand's curated youth-centric range has been promising early traction, strengthening our connect with the target younger consumers.

Additionally, in partnership with Galeries Lafayette, ABFRL unveiled its first India store in Kala Ghoda, Mumbai, spanning 90,000 square feet. This flagship destination opening to the public in November underscores ABFRL's plan of building its luxury play and set a new benchmark for world-class experiences in India.

As communicated last quarter, TMRW successfully raised INR450 crores, and this capital infusion was completed in Q2.

Now moving to the financial performance of the quarter. Aditya Birla Fashion and Retail Limited delivered another quarter of strong performance, driven by the strength and diversity of its high potential business portfolio. The luxury, ethnic and TMRW segments continued their

robust trajectory, each reporting double-digit growth during the quarter. On a consolidated basis, ABFRL reported revenue of INR1982 crores, translating into a 13% Y-o-Y growth. All key segments recorded healthy like-to-like growth, with Pantaloons at 7% and overall ethnic business more than 20%.

Overall, EBITDA grew by 7%, with margins at 5.9% for the quarter compared to 6.2% in the same period last year. The moderation in margins were primarily driven by higher investment in brand building and marketing initiatives, with advertisement spend higher by 200 basis points versus same quarter last year. Within segments, our ethnic business sustained its profitable growth trajectory, achieving a 280 basis points year-on-year improvement in margins, reflecting improved operating leverage.

Depreciation was higher on account of new store additions and new leases signed in Pantaloons segment. PAT stood at a loss of INR295 crores in Q2 FY '26 compared to a normalized loss of INR277 crores in the same quarter last year after excluding the impact of exceptional gains in Q2 last year. As of September '25, ABFRL held gross cash of INR2,150 crores at consolidated level.

Moving to the first half of the year. We delivered strong performance with revenue of INR3,813 crores, up 11% Y-o-Y. EBITDA grew 24% in absolute terms to INR286 crores versus INR231 crores in H1 FY '25, with margins improving by 85 basis points to 7.5%. Our retail network stood at 1,190 stores, spanning 7.5 million square feet as of Q2 end, with 30-plus new additions during the quarter, further strengthening our presence.

Now let me brief you on performance of individual segments. Turning to the Pantaloons segment. The business delivered a growth of 6%, with revenue reaching to INR1,142 crores for the quarter. Like-to-like growth stood at 7%, supported by the early onset of festive season, which helped drive higher footfalls, though overall sales momentum was partially moderated by localized disruptions in East during peak Pujo week.

Pantaloons continues to be on track of improving its margin profile. At retail network level, the profitability of Pantaloons this quarter is higher by 180 basis points over last year. However, due to higher marketing investments in Pantaloons and launch of OWND!, the segment profitability got impacted versus last year with reported EBITDA at 13.7%, else would have been higher year-on-year.

Among other key developments for the format, Pantaloons launched curated collections and rolled out new marketing campaigns, reinforcing the brand's commitment to staying fashion forward and deepening engagement with newer audiences. Pantaloons also signed up its first-ever brand ambassador while expanding its all-new modern store identity.

OWND! continued to gain strong traction, with revenue up 43% Y-o-Y. The brand expanded its footprint by adding 10 new stores in Q2 and now have 59 stores, and is on track to add 30-plus stores in the second half of the year, strengthening its position in the youth and Gen Z fashion segment.

Coming to the ethnic business. Our ethnic portfolio, the most comprehensive in the country, continues to deliver consistent growth in both revenue and profitability. With another strong quarter and L2L over 20%, it remains a key contributor to our overall performance. Despite a muted wedding season, the ethnic portfolio grew 11% Y-o-Y with revenue at INR505 crores. Excluding TCNS, growth stood at 34% Y-o-Y. The portfolio also saw a 200 basis point Y-o-Y EBITDA margin expansion, driven by operating leverage and significant progress on the turnaround of TCNS.

Our designer-led portfolio grew 32% Y-o-Y, driven by strong L2L growth, category expansion and elevated retail experiences. Sabyasachi and Goodview, that is Tarun Tahiliani, delivered 39% and 26% L2L growth, respectively, in Q2. The brands continue to strengthen their global appeal through high-profile collaborations and Fashion Week showcases, catering to both Indian and international audiences.

Now within premium ethnic wear brands, Tasva continued its strong trajectory, posting 58% Y-o-Y revenue growth and achieving its fifth straight quarter of double-digit L2L growth with L2L at 38% in Q2. The brand added 8 new stores, expanding its network to 78 stores with a strong momentum. Tasva is poised for continued growth, targeting to exit this fiscal year with more than 100 stores.

TCNS delivered strong L2L growth of 19%. Over the past few months, TCNS has maintained robust double-digit L2L growth alongside a notable improvement in profitability, reflecting the success of its ongoing initiatives. Margin was up by approximately 900 basis points, driven by improved product performance and retail execution.

Building on its momentum, we plan TCNS to become a key profitable growth driver within our ethnic portfolio. With already a sizable business, we plan to take TCNS into segments with higher relative growth while consistently leveraging its core to drive profits. As a first step this quarter, the business forayed into the high-growth and large occasion-wear segment with the launch of Wishful.

On luxury retail, currently comprising of the multi-brand format, the collective and the other mono brands, delivered another strong quarter with 13% Y-o-Y growth, driven by robust e-comm performance and healthy L2L growth. Format added 2 new stores to the network and now spread across 46 stores.

Our digital brand portfolio in TMRW grew by 27% versus last year, driven by portfolio expansion, premiumization and impactful campaigns with new celebrity associations. The portfolio strengthened its omni-channel play, closing the quarter with 29 stores, 75-plus, including WROGN across key markets nationwide.

In conclusion, despite a challenging consumer environment this quarter, our business have continued to demonstrate strong and broad-based growth, underpinned by solid L2L performance across all key segments. The strategic initiatives we set in motion in the past are now beginning to deliver the desired results, reaffirming that we are firmly on the right path.

Our focused investment in brand building, partnerships and retail excellence are strengthening our foundation for sustainable, profitable growth. We remain confident that this momentum will continue to build through the rest of the year and beyond.

We are open to questions now. Thank you.

**Moderator:** Thank you, Mr. Bajaj. We will now begin the question-and-answer session. We will take the first question from the line of Devanshu Bansal from Emkay Global.

**Devanshu Bansal:** Ashish, I wanted to sort of first check whether my calculation is correct or not. So, have we consumed about INR900 crores of cash in first half from the balance sheet? Is this ballpark correct?

**Jagdish Bajaj:** No, Devanshu. We started -- my March cash was roughly INR2,172 crores in ABFRL stand-alone, which is today INR1,600 crores. So, roughly INR500-odd crores.

**Devanshu Bansal:** But we have raised another INR400 crores, right? So, I'm talking about the consolidated number. I'm talking about the consolidated number.

**Jagdish Bajaj:** Consol level, if you see then, March was INR2,367 crores, which is now INR2,150 crores approx because TMRW raised the money and TMRW is consuming it separately.

**Ashish Dikshit:** It's a little bit more than INR600 crores, Devanshu.

**Jagdish Bajaj:** That is right.

**Devanshu Bansal:** Okay. So at this run rate, sir, do you -- first of all, is there any one-off in this, which may sort of come back in the second half? And secondly, at this run rate, do you think that we would need to raise additional capital going ahead in ABFRL?

**Ashish Dikshit:** I think the first part, Devanshu -- the first half of the year is when most of the inventory buildup and everything happens for the season. Second half, if you look at our company level sales, it's almost 60-40 for second half versus first half and so is our cash collection. So dramatically, higher cash collection in the second half versus first half, while the inventory buildup happens in the first half over second half.

So from a cash point of view, the situation actually improves quite significantly in the second half of the year, and that's not new this year. It's just that as the share of wedding-related business grows in our portfolio, and that's what has happened in the last couple of years. The share of H2 to overall sales, both in profit and in sales and therefore, cash generation is much higher. So at this point of time, there's no cause of concern on that account.

**Devanshu Bansal:** And this INR600 crores, you are just comparing the cash, right? So there is an increase in debt as well. So, are you excluding that or including that in the INR600 crores of cash utilization?

**Jagdish Bajaj:** No, no, Devanshu, I'm comparing the cash. The borrowings are in subsidiary companies, please understand. But what Ashish was trying to say, this ethnic business is heavily loaded in H2.

Therefore, the cash realization will be better in H2. So, we don't have any concern around the cash availability across all the businesses of ABFRL.

**Devanshu Bansal:** Fair enough, sir. Fair enough. And Pantaloons must have benefited due to festive preponement. There is a wedding room facility that is reported. Can you help us better understand maybe the comparable L2L...

**Moderator:** I'm sorry, Devanshu, can you use your handset mode, please? Your audio is not very clear.

**Devanshu Bansal:** Yes. Is it better now?

**Moderator:** Yes.

**Devanshu Bansal:** Yes. So, I was checking if you could just help me understand the underlying like-to-like SSG for Pantaloons because there must be some benefit of festive preponement to this quarter.

**Ashish Dikshit:** Sangeeta?

**Sangeeta Pendurkar:** Yes. Devanshu, this is Sangeeta. So, Pantaloons overall, if I look at Pujo is, of course, critical and a large part of Q2 saw the preponement of Pujo, while Diwali continues into October. And yes, there was a benefit with this being advanced. In fact, if you see that we started with a very, very strong Pujo. And a week before Pujo ended, we were actually growing at an overall level in East at a double-digit growth. And unfortunately, the last 7, 8 days that we saw a terrific amount of rain there and the disruption in Assam, a lot of that growth got wiped out. So it's hard to kind of separate the 2.

The advancement, of course, did give us higher footfalls and gave us a good traction, but that got wiped off. All I can say at this point of time, if it was not for the external disruption, our growth would have been even higher, though overall, we believe that the quarter has been quite good for Pantaloons.

**Devanshu Bansal:** Fair enough. Sangeeta, I also wanted to understand. So, there has been a good LTL performance in Pantaloons, plus we have closed unprofitable network also, but there is still a margin drop in Pantaloons. So, you have indicated that it is because of new value format OWND!. But on a like-for-like for Pantaloons, can you help us understand what has been the margin performance this quarter versus last quarter?

**Sangeeta Pendurkar:** Right. So, let me also add one more thing. So for Pantaloons, as I said, we've seen strong like-to-like growth. It's also important to understand the basis for that like-to-like growth. Our overall strategy in -- we have stayed consistent in Pantaloons with, of course, our product improving as is evidenced by very significant improvement in our sell-throughs every single season. If you have seen some of our new stores, we have refurbished those stores. There is, of course, a new retail identity, and we have continued to invest.

I think a big investment that Jagdish alluded to is also the marketing investment that we have made in this quarter. And it's very important that both for Pujo and for festive, which was part of quarter 2 and quarter 3, the work that we've been doing consistently over the last 18 months

on Pantaloons coming to fruition, and it was important for us to communicate and will continue to be important for us to communicate our new positioning to the customer.

And therefore, the margin impact has also been because of the significantly higher marketing investments versus, in fact, last year, in terms of percentage, we have doubled our marketing investments. So overall, our margins are pretty good in Pantaloons. We continue to maintain what we had called out before. The little bit of impact that you see today just on the Pantaloons segment is on account of the higher marketing investment.

**Devanshu Bansal:**

Fair enough. Fair enough. One last question from my end. For TCNS, while the LTL you reported very encouraging 19%, but basic calculation based on the numbers that we have for the past, overall, on a business perspective, it is still a 15% sort of a decline in H1, right? So firstly, the expectation was that the business should return to growth on an overall basis as the network rationalization was largely done with. So, can you help us better understand the calculation first is right on an overall growth perspective? And what is the outlook ahead for this business?

**Jagdish Bajaj:**

So on numbers, Devanshu, let me take this, then Ashish will take on the outlook and all. You remember that we integrated TCNS with us from last September when the merger took place. And we changed the accounting because TCNS sales to Pantaloons. So with that, we reported revenue last year was INR254 crores approximately. The comparable of that would have been lower by INR40 crores. Against that, if you see, there is a double-digit growth in TCNS, around INR240 crores this quarter.

**Ashish Dikshit:**

Devanshu, just to summarize, in previous years, TCNS revenue accounting was done on secondary sales.

**Jagdish Bajaj:**

That is right.

**Ashish Dikshit:**

We had corrected it to as a one-time thing. And therefore, if you look at like-to-like revenue for TCNS this quarter has grown by 13% over similar accounting.

**Jagdish Bajaj:**

Yes.

**Devanshu Bansal:**

Fair enough. And for overall business, again, there must be some preponement benefit. And encouragingly, H1 performance from a margin perspective from ethnic overall business has been pretty encouraging. But do you foresee that H2 may see some amount of losses just because some of the business must have preponed? So any...

**Ashish Dikshit:**

No, not at all. Not at all. Which business are you talking about, Devanshu?

**Devanshu Bansal:**

Overall. Overall ethnic, sir. So H1...

**Ashish Dikshit:**

Overall ethnic on the other side, we'll see a very sharp increase in profitability in second half over first half. If you look at our last year's numbers, you can do it yourself. We've been reporting ethnic as a segment. You look at H1 and H2 profitability, a similar picture will emerge this year. There's been very little preponement in the ethnic, which is largely driven by wedding, which is in the second half of the year.

- Moderator:** We'll take our next question from the line of Gaurav Jogani from JM Financial.
- Gaurav Jogani:** Sir, just a question regarding the CapEx. If we see from the cash flow statement, the capex for H1 is around INR260-odd crores. And I'm assuming that we have also a strong store expansion plan both in OWND! and also in Tasva and the other pieces. So, what should be the capex for the H2 part of the business?
- Jagdish Bajaj:** So, capex primarily will be in OWND! around 30 stores and Tasva around 30 stores. I don't think more than INR100 crores to INR120 crores, INR125 crores will be spent on capex in these 2 businesses. And then other capex are very small.
- Gaurav Jogani:** Okay. And Jagdish, just one thing clarification. So, there is also a new retail identity for Pantaloons that has been rolled out. So, how many stores are we planning to convert the new retail identity? And what could be the related refurbishment cost for that?
- Sangeeta Pendurkar:** So, we've just started this journey. We've got 3 stores with the new retail identity. All the stores, and we had committed to opening about 15 stores this year. And all the stores that you will see opening now in terms of design will follow the new retail identity. And therefore, we would, over a period of time, like to have more and more stores looking consistently with that.
- In terms of absolute cost, our capex on this new retail identity -- for any new retail identity, initially, the costs seem to be a little higher until you kind of get to a steady state. Overall, in our end state, we don't think the cost of per square foot in terms of capex of this new retail identity will be significantly different versus the current capex that we are spending.
- Gaurav Jogani:** Okay. Sangeeta, my question was more for the refurbishment, I mean the older ones. Are we planning to refurbish the new identity, or it will only be for the newer ones that we will see.
- Sangeeta Pendurkar:** Yes, no. So we also renovate stores parallelly, right? We renovate anywhere between 8 to 15, 20 stores every year. So the new retail identity will extend to the renovated stores as well. Parallelly, we have also done another exercise where we are doing some marginal kind of improvement in terms of space, space planning, how we represent brands.
- So like we said, our store experience is one of the important pegs of our strategy, and that will continue to improve in all 3 ways: new stores opening with the new retail identity; some of the existing stores, especially the older ones getting converted directly into the new retail entity; and the other stores where we believe there's an opportunity to optimize density, improve a little bit of infrastructure, those investments will also happen.
- Gaurav Jogani:** Sure. Helpful. And my last question is towards the ethnic part of the portfolio. The margins that we have seen for the ethnic piece, if you ex that out for the TCNS losses, we can better appreciate the profitability that's been gained at the other pieces. So if you can help us out, I think actually TCNS and Tasva both, I'm assuming both would be the loss making pieces. What kind of profitability are we making in the other parts of the pieces of the business?
- Ashish Dikshit:** Sorry, you're asking the split of ethnic business and profitability...



- Gaurav Jogani:** So, I'm assuming that the losses in the ethnic piece would be largely because of Tasva and TCNS.
- Ashish Dikshit:** We have very marginal losses in TCNS now. Most of the losses are Tasva and some of the other smaller designer businesses. But don't go by quarterly performance. I was mentioning, in ethnic businesses, particularly related to wedding, the revenues in second half is about 70%, the designer ethnic wear. If you take TCNS out, the remaining portfolio has close to 70% of its revenue coming in second half and close to 80%, 85% of its profit coming in second half. So it's a very skewed business. But unfortunately, that's the nature of the business.
- Gaurav Jogani:** My question was more on the annual front, not on the quarterly actually. It was more on the annual front.
- Ashish Dikshit:** On annual level, TCNS losses, as you're seeing, are significantly coming down. Tasva still has losses and rest of the business is profitable.
- Gaurav Jogani:** So, can we expect from next year onwards, these parts of the business also should turn profitable at least by the exit basis.
- Ashish Dikshit:** Yes, yes. I think by next year, the only losses will still be remaining in Tasva. TCNS would have completely turned around and designer portfolio as a whole is quite profitable.
- Moderator:** We'll take our next question from the line of Archana Menon from Morgan Stanley.
- Archana Menon:** So, my first question was on Pantaloons. So just on the SSG number that you've reported, it's good to see the 7% sort of LTL. How do you think of this in terms of how it can sustain? Should we be thinking of all the metrics that you have done actually driving this sort of growth even in the quarters ahead?
- And secondly, this is for Pantaloons itself. There's been a lot of store renovation and other exercises that you've been doing. So, do you see a performance divergence between stores, which were been renovated or the new stores versus the earlier ones? So, any numbers that you can share either in terms of revenue throughput or SSG that would be very helpful.
- Sangeeta Pendurkar:** Right. Archana, this is Sangeeta. So I think, as I mentioned earlier, I think it's been a good performance for us in the second quarter. I think a lot of the efforts that we have made over the last year in terms of your question, in terms of what's really driving this growth, and I'll come to your second question on the performance of the new stores, etcetera. I think one of the significant shifts that we also made in this quarter is the marketing investments because the new positioning and the new proposition that we've launched, we've gone along with the celebrity.
- We have ensured that there is a very strong digital plan that it has been supported by. And I think it's a question of time that once our story is deeply entrenched and reaches more number of people, we feel pretty confident given the performance of the second half that we will continue to sustain our growth.
- And as far as -- because all elements today now are in place, right? Our product has significantly improved. Our stores are looking much better. Our store experience is better. There is a strong

repositioning of the brand or a new positioning of the brand, shall I say. And with the marketing investments, we believe that we are on the right track to continue to drive growth.

On your second question, in terms of the stores, I think the shifts that we've made are pretty recent. We are seeing, for example, in some of our stores, a very distinctive difference in the kind of consumer profile that we are seeing entering the store with a new retail liability given that it looks a lot more, shall I say, premium with a lesser density with a completely new design. The store looks a lot more attractive. And we are seeing, therefore, that we are able to attract a different profile of customers.

I think it's still early days. It's just been 2, 3 months. And of course, there has been a lot of noise with festive shifting, etcetera. So it's something that we track very closely internally. But I think we'll wait for another 6-odd months to kind of come to a conclusion on the net result incrementality of it.

**Archana Menon:**

Understood. And on the margin side for Pantaloons, how are you thinking firstly about marketing spend for the full year? Is this more of a timing difference? Or should that be going up? And secondly, when we look at the Pantaloons' reported segment EBITDA margin, how should we be thinking of that for the full year versus last year when we also factor in the marketing expenses as well as some losses from OWND!?

**Jagdish Bajaj:**

So, we indicated when we met investors in the month of April that the segment margin should be in the range of around 15% to 17%. We will aspire to go to -- we'd like to maintain that. But the intermittent period for next 3, 4 quarters, you may see some more advertisement and marketing spend in both the business line in one segment called Pantaloons segment.

**Moderator:**

Next question is from the line of Tejas Shah from Avendus Spark Institutional Equities.

**Tejas Shah:**

Three questions. All 3 on Pantaloons. So first, Sangeeta, you partly answered on the previous question that the new brand entity, what it brings to the table. But I just wanted to know that -- I'm sure we would have done some brand perception study before kind of doing this exercise.

So, what was the gap of feedback that we found in the study that led us to do this massive revamp? And as you also called out that the first time in history, we are hiring a brand ambassador as well. So first, I wanted to understand what was the feedback where the brand was lagging versus consumer perception?

**Sangeeta Pendurkar:**

Right. So Tejas, it wasn't a question of lacking. I think it was a question of where we have been on the journey with Pantaloons. As you know, you've been hearing us right through on our calls that there was a very concerted effort over the last few years to make sure that Pantaloons owns a particular space. And in order to do that, we had a very charted course. And the first was in terms of ensuring that our product -- the fashion quotient of our product improves.

The second was in terms of our store experience. And we were very clear that once we do both of these is when we will go out and communicate to the consumer. Equally, to your point, the work that we have done in terms of what should our advertising and communication strategy be

is backed by very strong consumer work, perhaps one of the most robust and largest work that the industry would have seen.

And basis that, we figured first very sharply who is the consumer segment that we are targeting. And everything that we did was, in fact, to make sure that we significantly are able to drive our relevance with this consumer segment, equally make sure that we have distinctiveness versus competition. Because over the last few years, the consumer today definitely sees us as being more fashionable, more premium versus perhaps where we were 5, 6 years ago.

So, we have travelled that journey. It's a question of now making sure that in this new competitive landscape, how do we kind of continue to win. And therefore, the insights that we got with this sharp definition of the consumer segment allowed us to identify white spaces in terms of positioning. Our key insight has been that the consumer segment that we are targeting really wants to curate fashion in her own manner.

And therefore, our positioning of Spark Your Imagination where Pantaloons really becomes the playground for the consumer to experiment, to get the latest fashion is where this came from. So it wasn't from a gap, but it came from a journey to say we are -- this is our North Star. This is the journey.

This is the quadrant where we want to be, or this is the space we want to be. This is what the consumer wants. This is what will offer us distinctiveness versus competition. And so it's a very large body of work over the last 18 months that led us to this.

**Tejas Shah:**

And what percentage of our network would be kind of representing this new ethos of the brand? And I'm assuming you would have done a controlled launch also in a particular region. So, where we have done that launch? And are the numbers in that territory kind of giving us this confidence that if we roll it out pan-India, we will have a similar number?

**Sangeeta Pendurkar:**

Yes. So it depends on what you are defining as the launch, right? As I said, this has been a journey. Our product has continued to improve. And this product in a relevant manner, backed by science of planning -- assortment planning, goes to the right stores and curation of range, etcetera, is something again that we have developed a very strong muscle on. So, that's been a continuing journey.

I think the fact that we have started communicating now with strong marketing investments is the only new thing. The stores have gotten better and will continue to improve. The new retail identity is just about 2, 3 months old. And as I said, this will continue to expand. So the store bit and the communication bit are the 2 new pieces. The product has been an ongoing journey, and I'd like to believe that the strong growth that we've seen in the second quarter, a large part of that comes from the improvement in our product, the relevance of our merchandise.

We should be able to see greater traction on the brand, with now the recent investments in the marketing and in the stores. So, there isn't a one particular point. The launch, if you're referring to the communication, that is the new thing. The store design is the new thing, but both of these are very, very recent. And they are national. So the communication is national. The store launches, as I explained before, will happen sequentially.

- Tejas Shah:** No, I was just trying to see the initial response from consumer because 3 months also means that we had at least 12 Sundays or 12 weekends that we would have seen footfalls. We would have seen conversion rate. Footfall will take time perhaps.
- Sangeeta Pendurkar:** Yes.
- Tejas Shah:** But are we seeing initial good conversion rates, good billing?
- Sangeeta Pendurkar:** So the 2, 3 stores -- 3 stores that we've launched, the first one is just about 3 months old as I said. And we have seen an improvement in the traction from the consumer. We have got qualitatively extremely positive feedback. And in terms of discoverability of merchandise and therefore, leading to conversions, etcetera, directionally, we have seen improvement.
- As I said, it's only early days. There's only one store, which is 3 months old. The other stores are more recent. So, something that we will track and expand accordingly. And along the way, also see if there are any learnings, we will pick those up as well.
- Tejas Shah:** Perfect. And the last one. How should I think about store economics with this new identity? Because with OWND! launch, you have much legroom to play slight premiumization here because OWND! will take care of fast fashion Gen Z-oriented customer. So, should I assume that this brand will be ballpark north of 35%, 40% gross margin positioning? Or will it be INR12,000, INR13,000 per square feet model? Just wanted to understand with this new identity, if I have to convert it into Excel sheet, how should I think about this new format?
- Jagdish Bajaj:** You're talking about OWND! or Pantaloons?
- Tejas Shah:** No, I'm talking about Pantaloons.
- Ashish Dikshit:** No. Tejas, Pantaloons' margins are closer to 50%, not 35%.
- Tejas Shah:** No, I'm saying now with you have that room to play both sides, how should I think about both all the key parameters; store economics, right, from revenue per square feet to inventory turns to gross margin? How are you kind of planning with this new identity?
- Ashish Dikshit:** So, I think Pantaloons, as we have established over a period of time, is closer to 50%. We would like it to be north of 50% gross margin, where we have not yet reached. But that's the progression we have made over a period of time. And with the journey of premiumization, Sangeeta said, Tejas, your feeling that there is a moment of time that something has changed. Actually, 3, 3.5 years of cumulative work, which started for several seasons with product, then a few small stores, then refurbishment, then new retail identity spreading it to it and now leading to communication.
- It's a consistent strategy over 3, 3.5 years and benefits have also, therefore, come incrementally and cumulatively over a period of time. As far as the desired model is concerned, Pantaloons would aspire to be north of 50% gross margin. We are just short of that. So, about 200 basis point improvement is what we need to get to that. The business is operating -- this INR4,500 crores business is operating in negative working capital, and we'll continue to maintain that.

In terms of store productivity, it varies region by region. It's more a function of where the store is, not the proposition itself. I think the measure to look at is store profitability, which is what is the single store profitability at a network level or an overall level.

And that number needs to be closer to 25% to be able to leverage the overheads, advertising and everything else. And that will come both through small part through productivity and a small part through gross margin improvement over 2, 2.5 percentage points.

**Tejas Shah:** And any private label ambition you want to share there?

**Ashish Dikshit:** I think we've been somewhat around 64%, 65% at different points of time and the performance of external brands sometimes overtakes and therefore, it's not moved much beyond mid-60s. Our ambition would be to get closer to 70%, 75%. But that's a journey that private brands have to deserve that space. And therefore, it will come through the product performance incrementally.

**Sangeeta Pendurkar:** And to add to that, I think if I just look at the share of ABFRL plus ABLBL, the 63%, 64% that we see in private label, including the ABLBL portfolio, TCNS, WROGN, etcetera, we already are at about 75% in terms of our own portfolio.

**Tejas Shah:** Perfect. And sorry to stress this, but this 75%, does it have a better throughput versus the rest of the portfolio?

**Sangeeta Pendurkar:** It has. Go ahead, Ashish. Sorry. No, no, after you.

**Ashish Dikshit:** Tejas, we put all businesses through same test of GMROF, which is return on inventory and return on space. So at that stage, we don't sort of -- we want all businesses to deliver that level of gross margin, which would come either through higher throughput or through higher margins. In private label, margins are higher. As you know, external brands have lower margin. And therefore, it's a mix that we aspire to get right.

**Moderator:** We'll take our next question from the line of Sameer Gupta from India Infoline.

**Sameer Gupta:** First is just a clarification. So on Pantaloons' new retail identity, I think in the last call, you mentioned that 50% of the overall network is now on the new retail identity. So, I'm not sure what are the 3 stores that Sangeeta was referring to earlier in the call.

**Sangeeta Pendurkar:** Yes. Sure. So Sameer, this was the retail identity that we had launched about 4 years ago. We, prior to that, had a retail identity that was launched in 2016, '17. The next version of that came in '21. The 50% I referred to was that identity. As I said, with all the consumer work and a sharper definition of the consumer that we defined for ourselves. And given the way the retail formats have evolved, we saw there's an opportunity to once again refresh our retail identity. And therefore, the new retail identity I'm referring to is the latest greatest that we just launched.

**Sameer Gupta:** And by what time do you foresee to establish this retail identity across the 400 store network?

**Sangeeta Pendurkar:** So, I think the stores that we have opened in the last 3, 4 years, and that identity in itself is also pretty good. This is just the newer version, as I said. And given that we will open about 15 to 20 stores in the coming years, the new stores will all carry the new retail identity.

And you can assume on an average about 8 to 15 stores that we will kind of renovate, and we will pick the most important and the iconic stores and the most deserving stores. So, you can safely assume that over the next 3 years, there will be probably another 50 stores that will undergo this change, and there will be probably another 50 new stores that will come in with this new retail identity.

**Sameer Gupta:** This would take multiple years, if I have to look at it, to encompass the large part of the whole network. Will that be a correct understanding?

**Sangeeta Pendurkar:** So, we've already got out of the 400, as I said, 200 stores are pretty good. We will have another -- of the other 200, the top 30, 40, 50 stores will kind of get prioritized on that. And yes, as and when the stores come up for renovation, it will probably take us another 3 to 5 years to kind of get across to the most deserving stores. And that's how all -- yes, all retailers, I guess, would have this journey in terms of evolution of both the brand and how that gets represented in the stores.

**Sameer Gupta:** Got it. And coming to the question on this retail identity again. So, marketing spends and a new brand ambassador, is this a pivot in the strategy? Or is it part of this new retail identity? And given that if, let's say, it is part, then this is going to be an ongoing thing. It is not a 1 quarter or a 2-quarter thing. This probably will be an ongoing thing. Is this a correct understanding, first of all?

**Sangeeta Pendurkar:** So the retail identity, the new communication is not on account of the retail identity. Both the communication and the retail identity are part of a well-defined strategy, right? And in many ways, the brand comes to life in the store. So as the brand positioning got defined in a sharp manner, it has to come through in our product. It has to come through in our store experience, and it has to come through in our communication. So it's just anchored in one strategy, Sameer. So, we have been consistent with that.

On the second part of your question, yes, we felt that to break through the clutter and to ensure that we build the desired fashion quotient for the brand, there was a need to have a celebrity. The celebrity association will, of course, continue for some time. However, the marketing investments are phased out in any given year based on the desired sales plan. And we will continue to invest in the brand, having got a lot of other elements of the consumer experience right. The investments in the brand will continue. Of course, festive is heavier than the rest of the year. So it will phase out accordingly based on the sales plan.

**Sameer Gupta:** No. So, okay, let me put it in another way. Whatever marketing that you used to do earlier, is there going to be a slight increase going forward because of the changes that you're making in the brand communication?

**Sangeeta Pendurkar:** So for an initial period, yes, because one has to build awareness of the new brand positioning or the new communication on which the positioning is anchored. It's not something that we'll continue to do into perpetuity. And we've leveraged the purchase occasion in terms of festive to announce that. We would have anyway spent on the brand. We have spent a little bit more to be

able to make sure that we are able to reach more number of people at a time, which is very relevant for us.

- Sameer Gupta:** Got it. And another question on Pantaloons. So, you mentioned 15 store additions planned for this year. Just if you can quickly clarify in last 6 months, what have been the gross additions and the closures? And is the store closure exercise now largely behind? Or we still continue -- like we still have some bit of closures left?
- Jagdish Bajaj:** Added 6 stores and closed 8 stores.
- Sangeeta Pendurkar:** Yes.
- Sameer Gupta:** And are we at the end of this exercise of closures? Or do we foresee...
- Jagdish Bajaj:** See, there is a normal phenomenon to close around 10, 15 stores, yes, based on the development in the store locations and development in that market.
- Sangeeta Pendurkar:** We have covered a large part of our closures.
- Ashish Dikshit:** Restructuring is done.
- Sangeeta Pendurkar:** Yes. There is a -- just like Jagdish said, as in normal course, and we have just a little bit of the last lap left, but a large part of the closures is done.
- Sameer Gupta:** So 15 store additions, normal closures of 10, 15. So net-net, we might not be adding stores in this format for some time. Is that a correct understanding?
- Sangeeta Pendurkar:** Only this year.
- Sameer Gupta:** Okay. Got it. One more question, if I may squeeze in, sorry for this. There is another portion, which is largely luxury retail. Now if I look at the margin performance of this business, it's been extremely up and down. So last 2 quarters, we were clocking 40% plus. This quarter is 25%. I understand there is Galeries Lafayette, but that is yet to open. So, just your thoughts on what is exactly happening here?
- Ashish Dikshit:** So it's a very small business right now. And Galeries Lafayette, while the store may not have opened, expenses are still going on, and the revenue will start counting once we store open. So on a small business, when you add something like this, there will be a choppiness for some time.
- Sameer Gupta:** So the choppiness only pertains to Galeries Lafayette, not the base luxury retail?
- Ashish Dikshit:** Yes. The Collective & Mono brands part of the business is very stable. It's growing at about -- this quarter, about 13%. But in general, for a long period of time, it's managed to retain about double-digit like-to-like and similarly healthy margins.
- Moderator:** Next question is from the line of Kunal from Jefferies.

- Kunal:** Just one question on TMRW. So the losses in that business have gone up in the last 2 quarters. Anything to read or there's some bit of seasonality here as well?
- Ashish Dikshit:** No, I think you're right, Kunal. The losses are a little higher than what we would have liked. We have been trying to sort of push higher growth rate in this business. Especially post investment, we felt that some of the brands which have not shown that kind of revenue growth, we should inject more marketing. And therefore, early stage, the revenue to advertising spend has been slightly adverse compared to what we would have liked. But that's a journey that we'll go through. We'll adjust as we go forward.
- Kunal:** Understood. And this INR400 crores, which you had raised, apart from, let's say, funding these losses, any other thought process on how that will be used and repaying debt in that subsidiary, of course?
- Ashish Dikshit:** So, I mean, if your question is, are you doing any inorganic action? No. A large part of the capital there is required for growth, which is growth in terms of working capital, which is marginal, but more importantly, loss funding as many of the businesses are currently loss-making. A little bit goes into the offline capex as we are converting some of these brands into omnichannel space.
- Moderator:** We take our next question from the line of Hemant Shah from ENAM AMC.
- Hemant Shah:** Reading from the consolidated cash flow, the lease rent liability appears to have moderated. So is it going to moderate going forward? What would be the trend of the lease rent from here?
- Jagdish Bajaj:** Lease rent, Hemant, depends on when we sign agreement and the new stores which we add. At the same time, whatever we have added in past because in past, it will keep on reducing it. It works on that EMI methodology. So right now, as I said, we have signed agreements for new stores in Pantaloons, OWND! stores as well as in Tasva. So it may go up, but the benefit will also flow the way my network is also rising. So, difficult for me to give you the exact numbers, but let me work and come back to you on that.
- Hemant Shah:** No, sir, just wanted to understand whether year-on-year, is it going to increase from here or this trend of moderation in year-to-year figures will continue?
- Jagdish Bajaj:** There's no chance of moderation because we have rent renewal agreement also and the size of our stores are also rising. At the same time, we have to add stores in our 2 mainline business. But let me work on it. I will come back to you. I have given you this guidance.
- Hemant Shah:** Sure, sir. Second is on the ethnic business. Ashish sir just touched upon the profitability of the ethnic business. Just wanted, how is the second half wedding season panning out? And with the recent change in the GST rates, do you see any change in the consumer sentiment or consumer shifting towards the value pricing category?
- Ashish Dikshit:** See, I think most of our ethnic business is operating from -- especially wedding-related ethnic business is operating from premium to bridge to premium to all the way up to luxury. The only, I would say, regular premium wear is TCNS, which, as you are seeing this quarter has grown by



13%, like-to-like growth of 19% is a strong recovery path. All this is happening while the GST action has been going on.

On the higher end of ethnic wear, the GST, as you know, has increased from 12% to 18%. I do not think at this point of time that this 5%, 6% increase in GST, almost all of which we have to pass to customer will have any significant shift because the price points at which it's operating, consumer is unlikely to move to value option because you don't get that kind of product -- that quality of products. So, that customer will obviously not shift many steps level. A little bit of up and down for a short period might happen, but we don't expect that to be a large phenomenon.

**Moderator:** We'll take our next question from the line of Aditya Bansal from Motilal Oswal.

**Aditya Bansal:** Just wanted to understand what exactly is being addressed through the brand identity change in the value retail and how have been the trends in that segment for us?

**Ashish Dikshit:** Sangeeta, you want to comment?

**Sangeeta Pendurkar:** Yes, yes. So, I presume you're talking about OWND!, right?

**Aditya Bansal:** Yes.

**Sangeeta Pendurkar:** The new retail identity. Yes. So again, I think this comes from a very good deep understanding of the fact that we are targeting the Gen Z here and our deep understanding of this segment. And of course, if you see the value segment with the level of competitiveness, it is very, very important for us to build distinctiveness and to make sure that there is -- we break through this clutter of several, several brands. And therefore, there are, again, different elements in terms of the OWND! brand, and we redefined both the store design to make it look different and distinctive.

As we go forward, there will be certain things in terms of how do we strengthen our engagement with this set of customers, a sharper definition of which product categories really matter to this customer and defining those. And of course, again, the brand positioning, which in terms of language, etcetera, and communication is based on, again, an understanding of this segment.

So this is, again, a great opportunity based on our learnings of the last 2 years. Having seen the success of what we established over the last 2 years, we felt there were opportunities for us to further strengthen the brand and therefore -- or further strengthen this proposition. And therefore, the brand, the identity, the store design, the sharper focus on product are all part of that. And from here on, we intend to continue to invest in this format. Having seen the success gives us confidence to build on this more aggressively.

**Aditya Bansal:** Sure. And any trends on how the industry has been performing and how we have performed on the value retail side?

**Sangeeta Pendurkar:** Yes. So I think it is -- we've been here for the last couple of years. We have evolved this format and made changes with a great sense of agility. I think we are pretty -- you've seen the growth

numbers that Jagdish talked about at 43%. And of course, we've added 10 new stores. So, I think we are pretty -- we feel pretty good about our performance of the first half of this format.

**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.

**Jagdish Bajaj:**

Thank you.