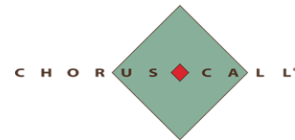




“Aditya Birla Fashion and Retail Limited (ABFRL)
Third Quarter Earnings Conference Call”
February 06, 2026



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Moderator:

Ladies and gentlemen, good day, and welcome to the Third 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 Q3 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 Q3 FY '26 earnings call of our company, Aditya Birla Fashion and Retail Limited. Looking back at the quarter, the overall demand environment remained mixed with consumption largely centered around festive and wedding-related shopping.

Additionally, a part of the festive season shifted to the previous quarter this year compared to Q3 last year, which impacted the reported sales growth, particularly for our masstige and premium brands. Also for our Pantaloons format, we have consciously postponed our EOSS by 12 days into Q4, which further impacted the sales growth.

Against this backdrop, our business continued to perform well with all new businesses delivering over 20% growth. The value and masstige segment saw a marginal impact due to the shift in Pujo and EOSS. However, performance remained strong even adjusted for these shifts, including the traction seen in January.

We have also continued to invest in network expansion through growth capex, adding a net 5.5 lakh square feet of area over the last 12 months. This positions us well for future growth and operating leverage as these stores mature. All our businesses remain firmly on their respective long-term growth trajectories, in line with the strategic direction we have been consistently outlining over the past few quarters.

Now moving to the financial performance of the quarter. Aditya Birla Fashion and Retail posted 8% Y-o-Y growth to reach INR2,374 crores versus INR2,201 crores last year. Overall EBITDA grew by 13%, with margins at 15.6% for the quarter compared to 14.9% in the same period last year.

Within segments, our ethnic business continued its consistent margin expansion for the eighth consecutive quarter with Q3 margin reaching 22.7%, up 350 basis points versus last year. Profitability across TMRW and the luxury segment, excluding Galeries Lafayette, delivered Y-

o-Y improvement. If we see ABFRL, excluding TMRW, overall margin stood at 20% in this quarter, up 70 basis points versus last year.

Depreciation increased during the period driven by new store additions. Reported loss was INR141 crores. This includes a one-time exceptional item pertaining to new Labor Code this quarter. Otherwise, normalized loss stood at INR115 crores versus INR103 crores last year. As of December 2025, ABFRL held gross cash of around INR2,100 crores at the same level as end of Q2 FY '26.

Moving to the YTD performance. ABFRL revenue stood at INR6,187 crores, up 10% Y-o-Y. EBITDA grew 17% in absolute terms to INR655 crores versus INR559 crores in YTD last year, with margins improving by 70 basis points to 10.6% despite 100 basis point higher advertisement spend versus last year.

If I look at ABFRL, excluding TMRW, YTD margins have expanded by 150 basis points to 15.2%.

Our focus continues to be on driving profitability and, at YTD level, ABFRL, excluding TMRW, delivered positive EBITDA on a pre-Ind AS basis despite our deep investment in establishing multiple new businesses. Our endeavor will be to improve on this trajectory as these businesses mature. Our overall retail network stood at 1,226 stores, spanning over 7.7 million square feet as of Q3 end with 50 new additions during the quarter with area up by 2.5 lakh square feet sequentially.

Now let me brief you on the performance of individual segments. Turning to the Pantaloons segment. The business performance reflected a shift in festive and EOSS sales into Q2 and Q4, respectively. Adjusting for Pujo and EOSS shift, Pantaloons format LTL stands at 3%. Revenue for the segment stood at INR1,276 crores for the quarter with margin at 18.2%, lower on account of old losses and marginal dip in Pantaloons due to sales shift.

For Pantaloons, our refreshed strategy centered on moving away from value-led fashion and building premium brand proposition is showing some green shoots. Our current month-on-month trajectory validates that this approach is working as some of the key initiatives, KPIs are showing encouraging trends.

We are enthused by these early results, and we'll continue to build upon it with sharp execution to progressively set the business up for sustainable growth. OWND! in its new format posted revenue growth of 54% Y-o-Y. The brand expanded its footprint by adding 9 new stores in Q3 and now has 67 stores.

Coming to the ethnic business. Our ethnic portfolio is now at INR2,200 crores annual sales with 650-plus stores across the country. Our Q3 revenue stood at INR703 crores, up 20% Y-o-Y despite festival shift with LTL at 10%. The portfolio also saw a 350 basis point Y-o-Y EBITDA margin expansion, driven by strong revenue growth led operating leverage.

As you are aware, our ethnic portfolio comprised of 2 business segments, designer-led and premium ethnic. The design-led segment, a strong and profitable business, continued to scale rapidly. The portfolio delivered over 30% Y-o-Y growth, driven by healthy LTL growth of around 15%, category expansion and elevated retail experiences while also reporting strong double-digit profitability during the quarter.

Now within the premium ethnic wear brand, Tasva continued its strong trajectory, posting 26% Y-o-Y revenue growth, led by 8% LTL growth. On YTD basis, LTL stood at 20%. The brand added 8 new stores in Q3, expanding its network to 85 stores. The brand's recent traction reflects the impact of improved assortments and curated wedding-led collections supported by continued brand visibility efforts.

TCNS reported flat overall revenue growth during the period, largely driven by store rationalization of 50 stores in the last 1 year. Since acquisition, the network has been streamlined from around 650 stores to 480 stores. On this more focused and profitable base, we delivered strong LTL growth of 8% for the quarter with YTD LTL growth at 10%, reflecting improving underlying performance. Margin was up by approximately 500 basis points, driven by improved product performance and retail execution.

On a pre-Ind AS basis, losses have declined by over 50% on a YTD basis, indicating meaningful progress in the turnaround. New launches are witnessing strong sell-throughs, translating into improved store productivity. This reflects our focused product strategy and the pivot towards a higher mix of occasion wear as outlined at Analyst Day. With these strategic foundations in place, we are entering the next phase of expansion with a healthy store addition plan, targeting double-digit growth and double-digit pre-Ind AS margin over the medium term.

On luxury retail, the Collective & Mono brands business delivered another strong quarter with 16% Y-o-Y growth with improving profitability. The business added 3 new stores to the network and now is spread across 49 stores. India's first flagship luxury departmental store, Galeries Lafayette, commenced operations in November 2025 and has seen strong early traction. The platform will continue to deepen consumer engagement through curated experiences, add new and relevant brands and strengthen its positioning as a premium luxury destination in the Indian market.

Our digital brand portfolio TMRW grew by 29% versus last year in Q3, underpinned by strong back-end technology and data science-led capabilities, enabling rapid scale-up. The business is now operating at an annual revenue run rate of INR1,100 crores, including Wrogn with improving profitability trends. The portfolio continued to build its omnichannel presence, closing the quarter with 90-plus stores across key markets nationwide.

In conclusion, our larger businesses, including Pantaloons and TCNS, continue to progress along a clear strategic path and are now well positioned to contribute meaningfully to overall growth. At the same time, our other businesses, which have reached a significant scale, will now pursue

steady improvement, both in terms of profitability and growth. Collectively, these outcomes, along with adequate cash availability, provide comfort on the strategic direction of the portfolio and its ability to deliver consistent value over time for our stakeholders.

Thank you, and happy to take questions now.

Moderator:

Thank you, Mr. Bajaj. We will now begin the question-and-answer session. We take the first question from the line of Archana Menon from Morgan Stanley.

Archana Menon:

My first question was on Pantaloons. So in your comments, you mentioned that there was positive trends in month-on-month performances and KPIs improving. So if you could share some more details on how the performance has been through the quarter and in January? And which are the key KPIs we are seeing an improvement? Any additional details?

Sangeeta Tanwani:

Archana, this is Sangeeta. So as Jagdish mentioned that our performance for this quarter actually corrected for the shift of festive actually is at about 3%. The other big shift that happened in this quarter, I'm just giving you first explanation for the growth. Because we had a good autumn/winter and the season was going well and one of the KPIs that we saw improve significantly is our sell-through rates on our merchandise, given all the shifts we've made in our merchandising strategy, we actually decided to shift our EOSS versus last year to quarter 4. And of course, this will have an impact on quarter 4, and we will see -- the base has shifted from quarter 3, and this will come back looking stronger in quarter 4.

To your specific question on the indicators, some of the shifts that we had called out in our strategy was a shift in our merchandise aesthetics, and we had taken a big bet, for example, on certain categories, the women's western wear category, non-apparel category. Very happy to share with you that on both of those categories, our growth has been above expectation. And given that the strategy was to be a more fashion-forward brand, it was very important for western wear to turn around and which we've been able to do successfully.

Our new stores, if you see the new retail identity that we have rolled out over the last few months, those stores are outperforming versus the rest of the network. Our online business, which today is a small business, but we had made certain choices to get that business to a path to profitability and then start scaling the business. We've moved significantly forward on that business, too.

More importantly, we made investments in marketing in this quarter. We signed a celebrity and invested significantly in marketing in line with the repositioning strategy of the brand. As you know, we've been talking about moving from a little bit more premium in the mid-market segment itself. But in terms of imagery, making ourselves more premium. Our merchandising store strategy, everything has been in line with that and the new advertising, too.

What's heartening to note is that the profile of the customer, while it's too early to assess the overall impact of marketing, and it will take some time for the results to come through specifically on marketing, but the early signs in terms of the profile of the new customers that

we have acquired, there is clearly a shift in terms of the profile being more younger, which again is in line with the stated strategy.

So therefore, I think with the shifts that we made in our merchandising, in our store strategy, in online, in the marketing investments all seem to be paying off, and we are seeing a steady improvement in all our metrics, and that gives us the confidence that we will see stronger growth coming back, even stronger growth coming back in the future in Pantaloons.

Archana Menon:

Just following up on this. In line with the premiumization strategy that we followed, are you seeing a growth in the average basket size or ticket average bill order so far?

Sangeeta Tanwani:

Yes. So in terms of our bill value, it has increased a little bit. While we made sure that we're not taking up our prices significantly, what we've done is to make sure we packed more value in our products, and that is something that we will continue to drive. Also with non-apparel being integrated into our apparel strategy, we hope to see an ongoing improvement in our basket sizes as well. So not a very significant impact in terms of the basket size. But in terms of our average selling price, we've seen about a 2% to 3% increase because of the shift and because of our premiumization.

Archana Menon:

Understood. And on TCNS, what are your store expansion plans for next year?

Ashish Dikshit:

So Archana, as you know, in TCNS -- this is Ashish here, in TCNS, we were focused on consolidating the cost side of the business, the inventory and putting out fresh merchandise. And the store expansion was really not on the agenda for much of last couple of years. I think from Q4 of this year is when our expansion agenda is changing. I expect that we'll add between 50 to 60 stores next year in TCNS, something that we had held back so far.

But now that the merchandising performance has significantly shifted, the strategy on both dimensions, which is making the brand a little bit younger and contemporary as well as increasing participation in celebration wear and festive wear through wishful. Both are playing out well. We feel more confident to store expansion now.

Moderator:

We take the next question from the line of Gaurav Jogani from JM Financial Limited.

Gaurav Jogani:

So first on Pantaloons, I do understand the shift to Q2 of the festive season has kind of impacted the revenue growth in Q3. But if you look at the 9 months revenue growth also, the revenue growth in total has been only 1%. Also, if you look at the margins, margins have also kind of dipped 100 bps on a 9-month basis.

So where are we on the path of margins improvement going ahead? So should we consider a large part of the rationalization of stores, etcetera, is now over, the cost elements initiatives are over and probably going ahead, can we see improvement in margins and also in the revenue growth?

Ashish Dikshit:

So Gaurav, first, as Sangeeta explained, even if you look at -- it's more pronounced in Q3, but if you look at 9 months also, the shift in EOSS from December to January has also brought down revenue growth for this quarter as well as for 9 months. But your point still remains.

I think last couple of years, rationalization has sort of curtailed the revenue growth opportunities as far as the business is concerned. And that's going to reverse now as most of the network rationalization part is over, and we are looking to improve -- the network addition is going to start from this year onwards and more specifically next year.

On the margin front, Pantaloons margin remains steady. The reduction that you're seeing is a combination of 2 things. One is the shift in revenue because it's a very high operating leverage business. When you shift revenue from 1 quarter to other, for temporary, that quarter looks a little lower. There is absolutely no concern around it.

The other reason is, of course, as OWND! expanded this year with the rebranding and relaunch, etcetera, the OWND! losses have brought down the margin by that 100 basis points that you're seeing there. As far as Pantaloons own profitability is concerned, it remains pretty much on the trajectory that we had indicated earlier.

Gaurav Jogani:

Sure. So just a follow-up on this. Pantaloons, what kind of store expansion can we expect from the next year, say, FY '27, '28, what steady store expansion can we expect?

Ashish Dikshit:

I think about 20 stores is what we would say we need to build in because Gaurav, as Sangeeta had explained, a lot of our premiumization strategy was building around aspirational and experience premiumization, not necessarily significant shift in pricing. So the Pantaloons addressable market hasn't come down.

It's just that I think as consumers have moved, they're looking for better and more superior experience, which is what we have been testing and implementing. And the confidence is now fairly strong that we should get back to the expansion path, and this is what we'll do.

Gaurav Jogani:

And would the stores be -- the sizes would be larger or smaller versus the earlier network that we used to expand because I think now we are looking to expand more in the Tier 1 and metro cities.

Ashish Dikshit:

Yes, larger stores.

Gaurav Jogani:

Any size that you can help us? I mean, 15...

Sangeeta Tanwani:

So we are largely looking at stores in the range of 18,000 plus, going up to 25,000, 30,000 depending on the potential of the market.

Gaurav Jogani:

Sure. And my next question is with regards to the ethnic part of the business, a very commendable job in terms of both the growth that you have driven and also the margins that are coming in. But if you can dissect the profile of margins between the designer-led brands, which

were already profitable versus the journey of profitability in the other ethnics part of the business? And how it is shaping up? And do you expect that business also to turn profitable?

Ashish Dikshit:

Okay. So Gaurav, as you know, the designer-led brands are very profitable. They continue to remain so and continue to grow also strongly on that level of profitability. So the shift is really what we need to make is in the premium ethnic wear. It consists of primarily 2 large businesses.

One is Tasva. And this is a business we are investing. It's growing very rapidly. On an annualized basis, we are growing at about 45%, 50%. Our YTD 9-month growth rate is 20% on like-to-like. So very strong traction this business has. But losses continue to be on a small base that we have. Losses continue to be there as far as Tasva is concerned.

TCNS, we have made a big shift. I think as Jagdish in his opening remarks mentioned that profitability has halved in this 9-month period versus last year. We are very close to breakeven this quarter, almost breakeven. I wish we had made a little bit more to be able to declare a profit in this quarter. But on an annualized basis, our breakeven will probably be next year. So as Tasva scales a little bit, Tasva intrinsic margins are very good. The gross margins are very good.

Store productivity, as you know, which is the largest driver in the retail business profitability, 20% like-to-like growth on an 80, 90 store network over a long period of 9 months indicates very strong confidence that this will also get back to profitability, which we haven't achieved yet.

And this -- I'm giving you a commentary of 9 months. Of course, festive quarters tend to overstate intrinsic profitability and the summer quarters, it shifts. So there is a bit of a swing. But on an annualized basis, that's how the picture will look.

Gaurav Jogani:

Sure. So would it be a right inference to say that the margin expansion in the ethnics part of the business still will be continuing over the coming years and the expansion would be meaningful given that from losses, you will be actually turning to profitability or breakeven at least in the TCNS part of the business. Tasva, maybe we can expect the breakeven to happen somewhere in FY '28?

Ashish Dikshit:

Yes, yes. I think both the businesses, the swing in profitability will be quite pronounced because from deep investment phase and the correction phase in TCNS and the growth phase in Tasva, the shift will be fairly pronounced as far as the premium ethnic wear is concerned. So profit trajectory will continue to improve much faster than the revenue growth.

Gaurav Jogani:

Sure. And if I can just slip in one last question. I mean, I do understand that the Galeries Lafayette opening during this quarter would have impacted the profitability in the other parts of the -- other segment of the business. If you can call out what kind of impact that had? And also what kind of an impact that had on the depreciation and the lease liability interest?



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- Ashish Dikshit:** So I'll wait if Jagdish can give that answer very quickly. He'll -- in the meantime, as far as the business launch is concerned, we would have invested maybe about INR20 crores, INR25 crores in terms of the event, initial launch, the first stage of the business, which I think as the business scales up, will reduce over a period of time. But that's really the nature of investment so far on the P&L side. On the balance sheet side, we have told you, I think, indicated store cost of about INR130-odd crores, INR125 crores to INR130 crores, and that will go into the depreciation line.
- Jagdish Bajaj:** And the depreciation impact is around INR10 crores.
- Gaurav Jogani:** Because of this impact.
- Jagdish Bajaj:** No, apart from this, depreciation is higher because of OWND!. TMRW -- he is asking only Galeries Lafayette.
- Ashish Dikshit:** Galeries Lafayette.
- Jagdish Bajaj:** So I say I think we'll figure that number out for one specific piece, but that's the nature of investment that we have made in this concept.
- Gaurav Jogani:** Sure. So just on the other, the profitability, would it be right to understand the profitability would have been higher by INR20 crores, INR25 crores, if not for Galeries Lafayette? Would that be the right understanding?
- Jagdish Bajaj:** Not so much because there are also some gains. We have done business, there's revenue, the gross margin. So the difference will be slightly lower than that. I was talking to the total investment that we have done in promoting and launching the business and so on.
- Moderator:** We take the next question from the line of Ankit Kedia from PhillipCapital.
- Ankit Kedia:** Sangeeta, just wanted to understand over the next 2 years, what is the target like-for-like growth in Pantaloons, which we are budgeting for?
- Sangeeta Tanwani:** So we are looking for mid- to high single-digit growth in Pantaloons for LTL and double-digit growth at an overall level, yes.
- Ankit Kedia:** Sure. 2 years back, we had launched in loyalty program, which is a paid loyalty program like some of our competitors. What is the today overall revenue contribution of that program? And how is the loyalty being here because they're changing the positioning to more younger audience, more premium. So are you seeing some impact of middle-aged people going off the platform?
- Sangeeta Tanwani:** So it's a very successful program for us. It's a program that allows us to ensure that we have people continuing to shop with us and helps us in terms of retention. We've also figured that some of our older customers have continued to roll over from 1 year to the other as far as Insignia is concerned. So it's a top-tier program, as you know.

And it is a program that allows us, as I said, on our large base of 16 million-plus customers. This is in terms of number of customers is a small base. But in terms of the contribution of these customers, it's a significant number. Our overall Greencard contributes to about 70% plus of our revenues and Insignia sits on top of that.

Ankit Kedia:

Sure. And from the store closures perspective, if you can give color on which type of stores we have closed, were they only loss-making? Were the smaller stores, Tier 2, Tier 3 city stores? And while we are opening more metro and Tier 1 stores today, how is the inventory mix now moving from private label because we have piloted some stores which are more than 90% private label. So how is that mix changing from store closures, if you can say, and on the inventory mix to metros and Tier 1 cities?

Sangeeta Tanwani:

Yes. So the stores that we have closed is a combination of both, as you rightly said. There are some stores which were loss-making stores and some stores where we believe the proposition that we've defined for ourselves because obviously, we want to be consistent as a format across the country. These were stores either which were very small sizes or they were not in the right markets where the proposition could be represented. So we've shut about 11-odd stores, and that's behind us in terms of store closure so far.

In terms of private label, we even today have a mix of stores. There are certain stores which have a very high mix of private label and there are certain stores, which are our larger stores, which have a large representation of our external brands. As far as the mix is concerned, I think because of the nature of changes that we've made in the format, opening larger stores, our mix over the last 2, 3 years has shifted by 1% to 1.5% in favor of private label.

Ankit Kedia:

Sure. And my last question is on OWND!. What is the 2-year target on store opening and profitability for OWND!?! And also on inventory, we see heavy discounting which has happened in OWND!. So is the OWND! inventory which was being carried forward from Style now pretty much over and we are starting with fresh inventory today?

Sangeeta Tanwani:

So this model, we've been at it for the last 2, 2.5 years, and we've continued to refine this model as we have learned every single quarter on this. As you've also seen that we rebranded it from Style Up to OWND! basis all the consumer work that we have done. The discounting that we did, if you're referring to the end of season sale, it was in line with what we have done before, perhaps a little bit more aggressive, but it has nothing to do with excessive liquidation of inventory. It is a normal EOSS period during which we carried out the liquidation.

And yes, most of our new merchandise that we have is all tagged OWND!, and we don't have too much of the Style Up merchandise. However, I'd like to mention that in terms of the aesthetics of the merchandise, the -- we've only gotten better in terms of our fashion quotient and much younger with what we've created with OWND!.

Ankit Kedia:

And from a 2-year roadmap on store opening and profitability?

- Sangeeta Tanwani:** Sorry, I miss answering that. So from a store opening standpoint, we would be looking at opening about 40 to 50 stores in the coming year. As I mentioned right at the beginning, we have continuously refined this model. And a lot of things are working for us in the right manner. And the moment we believe that we've got all elements of the mix right, we'll be ready to scale it up even beyond 50 stores.
- Ankit Kedia:** So is it fair to assume we will not be profitable at least till FY '29?
- Sangeeta Tanwani:** Yes, probably.
- Moderator:** We take the next question from the line of Garima Mishra from Kotak Securities.
- Garima Mishra:** Could you talk a little bit about the competitive environment that both Pantaloons and OWND! are witnessing?
- Ashish Dikshit:** See, as far as Pantaloons competitive environment is concerned, I think we have moved away from a highly intense price-based competitive set where Pantaloons was operating 5, 6 years back, primarily around price value equation, which is much lower, space where relatively lesser competition exists as we are premiumizing. Of course, the journey takes time, but I think we are moving into a space where the level of competition is relatively lesser.
- The OWND! business, on the other hand, operates in an environment which is fairly intense from a competitive point of view. There are a lot of players who are meaningfully large in that or many others who are entering in that space. So that space is, I think, over a period of time has only intensified in competitive action. Does that answer the question, Garima?
- Moderator:** Since there is no response, we will move on to the next question, which is from the line of Devanshu Bansal from Emkay Global.
- Devanshu Bansal:** Ashish and Sangeeta, sorry for stressing on this. But from Pantaloons perspective, we have done a lot of store closures, right? So -- but this is still not reflecting into like-to-like growth for us. I'm taking cues from the performance of the other entity that we have, right?
- So in Lifestyle brands also, we have done store closures, but at least from a like-to-like growth perspective, we've delivered about 10% growth in 9 months. So even from a margin perspective, we are investing in terms of marketing, etcetera, we have done store refurbishments, but still the growth has been lackluster from Pantaloons. So how do you see this business returning to double-digit growth? Also, if you could provide some more color on this month-on-month growth improvement trajectory that you've talked about for better understanding?
- Ashish Dikshit:** Okay. Let me try and answer your first question. I think you're right, the overall environment across the different price segments and consumer segments is somewhat different. You also see our portfolio of our business where we are growing at 25%, 30%. There is a premium brand business, which is growing at about 10% to 12%.

I think the competitive intensity and the overall consumption at the lower to mid-segment of consumption has been more challenging for much of last 12 to 24 months. Much of our store rationalization was not so much about -- it doesn't necessarily give you like-to-like shift. It provides store closure. And many times we close stores, although they're barely or marginally profitable because one of the things that we also look at -- I mean, 3 things that we look at in terms of thinking about store closure.

One, is it in line with long-term strategy, and we look at it. Second, financially, does it make sense from profitability or loss point of view? Will there be further cash losses? And can we turn it around? And third, which is not visible in the numbers is what's the capital productivity, particularly from inventory point of view. There are stores which make money but have lower throughput and, in some ways, then creeps back into higher inventory and higher markdown, which is not visible on the surface. And we look at all this.

And therefore, necessarily, to your point, store closure, store rationalization doesn't necessarily lead to like-to-like improvement in a significant manner. Having said that, I agree with you. I think the performance in this segment has been lower than our premium segment or -- which is lower than the super-premium segment. And in some ways, tells you the story of the market as well, apart from the challenges that business would have faced. On the more recent improvement, I think Sangeeta had given a color of it. Sangeeta, do you want to add something more to it?

Sangeeta Tanwani:

Yes, Devanshu. So like I mentioned before, I think all the improvements that we have been working on as they've kind of gotten rolled out, we've seen significant improvement in metrics and more so in our performance in the last 3 to 4 months, as Jagdish alluded to it. So the metrics on the efficiency of our merchandise, our inventory or be it the performance of our newer stores with the newer design, new retail identity. These are larger stores that we have opened and some of the stores that we've opened even in Tier 1 towns have started off exceedingly well.

There is also a bit in terms of the marketing investments that we've made with the repositioning. We've seen the shift in the customer base, which actually was very heartening. Our focus has also been in terms of execution in stores and in-store experience. So again, on both of those, the inputs that have gotten and some of the metrics that we are seeing, so the efficiency with effectiveness with which the store staff launches the new merchandise, a significant shift in the execution parameters and a lot of other improvements that we are making in terms of creating a harmonized in-store experience with our customers.

I think these are several actions across every single element and every single touch point, which is giving us the confidence. It's, of course, there in the results, but gives us the confidence for the future as well.

Devanshu Bansal:

Got it. And secondly, sir, there is some level of leadership exit now at TCMS, right? So how have you sort of taken care of this knowledge retention for this particular segment from the

outgoing leadership as historically, our presence has been limited in this category, right? So maybe if you could throw some light on that.

Ashish Dikshit:

So fair point. I think, as you know, we had invested in TCNS business almost 2.5 years back, September of 2023. So while Anant has been leading the business for nearly 10-15 years and has done an incredible job in building the business literally from scratch over this period, there's also been a very strong leadership team with him, which has made this work. And as Anant transitions out of it, first of all, he's spending next 3, 4 months with our next leader who is Sooraj, who has been in this ethnic business for the last 2, 3 years, was responsible for growing and building Tasva business, looking after Jaipur.

So reasonable familiarity, perhaps not as much as Anant has had over the last 10-15 years. But Anant has also taken upon himself to help Sooraj transition over the next 3, 4 months. Could be slow and deliberate transition, but more importantly, the team that has worked on it has been also a very stable team. And we think this is a very sort of steady handover, which we'll get from the business over a period of time.

Moderator:

We take the next question from the line of Rajiv B from Nuvama.

Rajiv B:

First, a few housekeeping questions. If you can -- cash in hand currently, the cash burn during the quarter, the capex number and the free cash flow for the quarter and 9 months possible.

Jagdish Bajaj:

So as I covered in my speech, the company as a whole, we have roughly INR2,100 crores cash. With ABFRL stand-alone, we have around INR1,600 crores cash. In this quarter, the cash burn was not there. Whatever from INR2,100 crores to INR1,600 crores with me has happened in H1. That is number one. Capex across business for 9 months is roughly INR300 crores, including security deposits.

Rajiv B:

Sure. So secondly, on Galeries Lafayette. So what is the total capital employed in this bit? And in terms of, let's say, a steady-state number, what is the kind of ROCE you are looking from this? And thirdly, what is the model here in terms of is it an SIS model? Is it a trading model? How do we get our assumption here?

Ashish Dikshit:

So I think it's a combination of multiple models. The store investment is by us directly, but we have differential arrangements with different kind of brands. There are -- and also different categories. Beauty, for example, is by and large, a concession model. In luxury brands, there is a commission model.

Most of the business, however, is on -- a large part of fashion business is on buy and sell for the brands which don't exist in India. As you know, we have launched close to 250 brands in the store, of which 70% don't exist in the country. So many of these brands, the inventory is on our books.

Overall, as I mentioned, the gross investment in fixed assets is about INR125 crores, INR130 crores or in that range. The inventory would be about INR60 crores, INR70 crores with -- and therefore, the total capital employed will remain in the range of INR150 crores to INR200 crores, INR180 crores to INR200 crores in that.

We expect the business over time, I mean, there's still some way to go, we have a few luxury brands which are to enter towards the middle of next year. There is an F&B, which is still 6 months away. So there is some part of the store proposition, which is yet to be completed.

In steady-state model, we expect the store to make between close to 15% to 20% in first 2, 3 years on the revenue. And as we go forward, this is a onetime investment over a period of time, this business will grow as Indian consumption grows as the luxury market around the world and in India showing. We're very confident of the strong trajectory on this.

Rajiv B: So you're saying INR30 crores to INR40 crores is our stake, is it? That is the EBITDA on...

Ashish Dikshit: No, no, no, this is our business. So it's not somebody else's stake. Is that the question you're asking? This is a business fully invested by us. But on inventory, we have different arrangements, inventory and margin, we have different arrangements with different nature of brands. Some are concessionaire, some are revenue share, some are buy and sell. So each one of them, of course, have different margin structure also depending on what's the level of exposure and investments we are making.

Rajiv B: I was asking, for example, for this INR200 crores investment or let's say, INR70 crores inventory in this case, what is the peak revenue you're looking for and an associated, let's say, EBIT level number?

Ashish Dikshit: So this business may start with INR150 crores, INR200 crores over a period of time will grow. We think over the next 3, 4 years, should be able to get to much higher revenue on that. And that's the number on which we look to make about 20% store profitability.

Rajiv B: And last, what is the size of this store.

Ashish Dikshit: 90,000 square feet, sir.

Moderator: We take the next question from the line of Sameer Gupta from India Infoline.

Sameer Gupta: As a whole business, ABFRL, including TMRW, on a pre-Ind AS EBITDA basis, by when do you envisage a positive EBITDA? I understand Tasva, TCNS, TMRW are still under losses and at least 2 of the 3 you expect to be breakeven in FY '27. So any guideline you have internally that '28 will be the first year of positive EBITDA on a pre-Ind AS basis or it can stretch beyond that? Any color here?

Ashish Dikshit: So first to get some -- where do we stand today. For the entire business, without TMRW, we are 9-month EBITDA positive or breakeven. And this is pre-Ind AS, yes. And therefore, the losses

even at consolidated today, this includes all the losses that we talked about currently in TCNS, Tasva, Galeries Lafayette, etcetera.

With all that included, we are breakeven today ex TMRW. And we expect as these businesses mature, TCNS turnaround, Tasva is scaling up, etcetera, the profitability for ex TMRW business will grow sharply over the next 2, 3 years. It's already breakeven for this 9 months. And next year, full year onwards, we should start making pre-Ind AS profit, which will increase post that.

As far as TMRW is concerned, today, it is at about 12% to 15% sort of losses compared to its revenue and -- on a secondary basis. We expect TMRW, as we have mentioned in our various sort of presentations, including investor presentation, to be somewhere between FY '29 is when TMRW should breakeven. So the 2 trajectories are slightly different, but this is really what are the internal goals we have set for ourselves.

Sameer Gupta:

Got it, sir. That's fair. Second question is, sir, the understanding was that it is a subdued quarter for wedding-related categories. You also mentioned that during the Birla Lifestyle Brands call. But we've seen a Sabyasachi stellar performance, 44% growth. Tasva is doing well this quarter as well, healthy LTL also. So is it like these brands have been an exception versus the overall category or there are certain one-offs in this quarter?

Ashish Dikshit:

No, first of all, there are no one-offs. And let me explain both the comments that were made. As Sangeeta in her commentary, Vishak earlier in ABLBL commentary said, this quarter, part of festive had shifted to Q2. And therefore, to that extent, the business didn't get that benefit.

Secondly, weddings in the second half of December were also low. And therefore, it is a fair representation -- fair comment to say that the wedding-related businesses didn't have the benefit of a very strong quarter from timing point of view.

Having said that, for different reasons, Tasva because it's growing very, very rapidly, I think, in a very accelerated manner, and this has been established over the last 1.5 years, 2, the designers, whether it's Sabyasachi, Tarun and other businesses, I think, again, this is -- this would give you a sense of the belief that we had in these businesses that currently they're underpenetrated with time, these businesses are set to grow at a fairly rapid rate. And therefore, they will see several years this kind of growth with or without the wedding date.

I mean this business -- these numbers would have been even better if the wedding dates were stronger in the second half of December. So it's because of the reasons they stand out compared to what the market is.

Sameer Gupta:

Got it. So it's basically an organic performance and had the wedding quarter been better, the performance also would have been better. That's the correct understanding, right?

Ashish Dikshit:

Because they're all in different phases of the business. These are not as mature business as, let's say, some of the larger business of lifestyle brands.

Sameer Gupta:

Got it, sir. That's very helpful. Last question, if I may squeeze in. So deferment of EOSS in Pantaloons 12 days and the competitors have had it bang in the middle of December like Shoppers Stop and Lifestyle. Rationale for deferring, I understand, but is there a risk of market share loss because you will probably having -- be having an end of season sale where most customers looking for discounts, they might have already had shopped in your competitors -- so like as a strategy, can it backfire?

Ashish Dikshit:

Any strategy can backfire, but I think this should give you a sense of confidence that we have got to in our merchandising cycle in this business. It's taken us some time and a fair bit of understanding of business. You can be sure we have sort of thought deeply about it. It's a very difficult -- as you're rightly alluding, it's a different call -- difficult call.

But we also believe over a period of time in the peak period of Christmas, winters when consumers are actually buying -- and holidays when consumers are actually buying and shopping for the right reason, every good retailer over a period of time should try to maximize margins apart from sale in this business.

We've had -- we are confident that whatever we lose in this period, we'll be able to gain back in the month of January or February or at least the quarter 4. And that's what Sangeeta was indicating.

Sameer Gupta:

Great, sir. One last question, if I may squeeze in. So sorry for this. But I think Jagdish mentioned the gross cash numbers. Can I also have the net cash numbers for like end of 3Q?

Ashish Dikshit:

With me is around INR800 crores. So consolidated -- sorry, stand-alone entity has INR750 crores of long-term debt. So from INR1,600 crores, you can take that down. That's why he's talking about INR800 crores. There is a further -- TMRW, because of the fundraise is sitting on a net cash of about INR400 crores, INR500 crores.

Sameer Gupta:

Okay. So basically, INR800 crores net cash in stand-alone entity plus around INR400 crores for TMRW or overall INR1,200 crores kind of a net cash?

Ashish Dikshit:

No, No, there is also multiple subsidiaries -- so I think the number -- Jagdish, you want to... Yes. So each of the subsidiaries...

Jagdish Bajaj:

So what I'm trying to say is, firstly, these borrowings are long term in nature. So like I have INR1,600 crores cash with debentures in small WCDL here and there, INR800 crores borrowings, INR800 crores cash. With my subsidiary, there is a more borrowing than the cash they have. So if you see at a net level, I will have around INR600 crores.

Sameer Gupta:

INR600 crores net cash on a consol level?

Jagdish Bajaj:

That's right. There is some debt in the subsidiaries as well.

Moderator:

We take the next question from the line of Garima Mishra from Kotak Securities.



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Garima Mishra: First question on the Pantaloons segment. Is there any sense you can give us on the contribution of OWND! to the, let's say, INR3,500-odd crores revenues in 9 months that Pantaloons reported?

Ashish Dikshit: It's very small, Garima, and that's why we are not splitting it. At this point of time, it's a very small revenue on that base.

Garima Mishra: Got it. Second question was on TMRW. So 31% Y-o-Y growth in the 9-month period, pretty healthy number. Was there any inorganic component to it? That's number one. And second, within TMRW, which sub-brand or sub-brands are driving up this fast growth?

Ashish Dikshit: So Garima, there is no inorganic. Even last year, our growth was close to 30% on full year, which is fully organic. This year, again, 30% growth for 9 months is fully organic. So there's no -- that just reflects the sort of level of momentum that these businesses have and the way TMRW is rising. Now over a different period of time, different brands sort of have trajectories. Some of the bigger brands are slightly slower growing on relative terms, but there are many brands which have grown north of 40%, 45% as well.

Bewakoof, which is one major brand that we had sort of acquired and which was struggling to growth in the early years is now beginning to record 40% to 50% growth. Nobero is another very strong brand, which has been growing at a very rapid 35% to 40% growth, CAGR over 3, 4 years. So there are multiple parts of the businesses.

As we acquire the businesses, we understand the operations, figure out the opportunity. We're able to -- practically without exception in every business, we are able to find opportunity to grow between 30% to 40%. Of course, it takes time to understand and correct the inventory cycle and product proposition in some of the cases.

So we are driving 2 things, Garima, in this. One is many of these brands operate with gross margins which are much lower because they've been chasing growth. We actually get into each of the business, improve the inventory cycle, improve the gross margin, product proposition, premiumize it, manage the inventory flow a little better.

In some -- the second thing that we do is to make sure that their channel strategy is right between balance between D2C, marketplace and offline. And increasingly, we are finding that offline is improving, help us improve both the gross margins as well as the brand visibility and familiarity. So we are taking some of the more successful brands more rapidly in offline. And third is really driving the organic performance, which is efficiencies of performance marketing and all that to drive the growth in each of these businesses.

Garima Mishra: Got it, Ashish. And last question from me, again, on TMRW. What proportion of, let's say, the 9-month '26 revenue came via the online channel?

Ashish Dikshit: I think 95% of the business. While we have started to open stores, but even now at a 9-month level, 95% of the business. We don't expect this to remain at this level. I think as these brands



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are finding traction in offline, we'll bring that share down. But I think from 95%, maybe it will come down to 85%, but these are primarily online first brands.

Moderator:

Ladies and gentlemen, with that, we conclude the question-and-answer session. 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. Now you can disconnect your lines. Thank you.