



“Aditya Birla Fashion and Retail Limited (ABFRL)
Fourth Quarter Earnings Conference Call”
May 26, 2026



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Aditya Birla Fashion and Retail Limited (ABFRL)
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Moderator: Ladies and gentlemen, good day and welcome to the Fourth Quarter Earnings Conference Call of Aditya Birla Fashion and Retail Limited. The call will begin with a brief discussion by the company's management on the quarter 4 FY26 performance, followed by a question-and-answer session.

We have with us today Mr. Ashish Dikshit, Managing Director; Mr. Jagdish Bajaj, CFO; Mrs. Sangeeta Tanwani, Director and CEO, Pantaloons. I want to thank the management team on behalf of all the participants for taking valuable time to be with us. I must remind you that today's discussion may include certain forward-looking statements and must be viewed, therefore, in conjunction with the 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 for the Q4 FY '26 earnings call of Aditya Birla Fashion and Retail Limited. Starting with the demand environment in this quarter, demand trends during the quarter remained broadly in line with what we have seen over the past quarter. The wedding calendar was relatively weaker compared to the same period last year.

At the same time, towards the end of the quarter, market began to see the emergence of certain disruptions in the context of the geopolitical uncertainties, and we shall see how these developments play out. Against this backdrop, our company delivered a strong performance. Pantaloons was a key highlight with one of its highest year-on-year growth performances.

The company's overall revenue momentum was broad-based across channels, with both stores and e-commerce continuing to perform well and building on the improvement seen in the previous quarters. We also continue to invest in future growth through calibrated store expansion.

During the quarter, we added around 70 new stores, taking the total additions for the year to over 180 stores. As these stores mature, they are expected to contribute meaningfully to revenue growth, productivity improvement and profitability with operating leverage setting in.

In summary, the quarter reflects healthy momentum across the portfolio, robust execution across channels and continued investment behind avenues of future growth.

Now moving to the financial performance of the quarter.

ABFRL posted 16% Y-o-Y growth to reach INR1,990 crores versus INR1,719 crores last year. Within segments, Pantaloons segment delivered 19% Y-o-Y growth, led by 17% Y-o-Y growth

in the core Pantaloons format. TMRW maintained momentum, delivering 45% growth year-on-year.

I would like to emphasize on profitability for this quarter in context of a few one-offs in the base quarter. It is important to note that last year included a onetime gain of INR97 crores relating to inventory write-up and accounting treatment relating to demerger, which was explained in detail during Q4 results of last year. Please note that comparisons are made against the base, excluding this impact.

This quarter also saw a gain of INR83 crores from derivative gain within TMRW's associate company WROGN compared to INR22 crores in the same period last year. These gains are getting consolidated at ABFRL level and are non-cash in nature. Excluding both of these impact, EBITDA grew 29% year-on-year with margins at 11.5%.

Within overall EBITDA, our ethnic business margin, specifically saw a big expansion of 390 basis points year-on-year, mainly due to reduction in TCNS losses. Reported loss for the quarter stood at INR164 crores compared to INR171 crores in the same period last year. This includes a one-time exceptional charge of INR11 crores related to the wage code.

Here also, please note that last year's reported PAT included demerger gain of INR97 crores. Adjusting for this, the revaluation gain is TMRW's associate and wage code impact. The loss at PAT level has reduced from INR289 crores last year to INR235 crores this year, highlighting a better underlying operating performance.

Moving to the financial performance for the year. ABFRL delivered revenue of INR8,177 crores, registering an 11% Y-o-Y growth. This was supported by double-digit growth across ethnic, TMRW and luxury businesses. EBITDA adjusted for the demerger gain and the revaluation gain in TMRW's associates grew by 23% Y-o-Y to INR903 crores with margin at 11% versus 10% last year.

This reflects the continued improvement in operating performance across the portfolio. As of March 2026, ABFRL had gross cash of INR1,545 crores at the consolidated level, while gross cash at the standalone level stood at INR1,144 crores. The gross debt at consolidated level is INR1,695 crores and standalone level is INR748 crores.

On a pre-Ind AS EBITDA basis, full year performance continues to improve. Excluding TMRW, consolidated EBITDA stood a loss of INR33 crores against a loss of INR75 crores in previous year. At the standalone level, we are at EBITDA breakeven. Our overall retail network stood at 1,273 stores, spanning almost 7.9 million square feet.

During the year, we added 0.6 million square feet of retail space on a net basis, further strengthening our presence and supporting our growth agenda.

Now let me brief you on performance of individual segments.

Coming to the Pantaloons segment, the business delivered one of the strongest growth quarters in the same period, with revenue growing 19% Y-o-Y to INR1,048 crores.

The performance was supported by healthy 14% like-to-like growth in Pantaloons format, reflecting sustained underlying momentum. Profitability also improved during the quarter with EBITDA margin at 15.5%, expanding by 40 basis points year-on-year. This is despite the impact of continued ramp-up of OWND during the quarter.

Over the past 18, 24 months, Pantaloons has undertaken a strategic shift that has strengthened its customer and product proposition, elevated the in-store experience and sharpened execution across the business. These actions are enhancing the relevance of Pantaloons for today's consumer while positioning the business as a stronger and more sustainable growth platform over time.

OWND continues to strengthen its presence with its store network expanding to 79 stores. This included 12 new stores added during the quarter and 34 stores added in FY '26. We'll continue to scale this business in a disciplined manner as we build it into an important growth platform for our company in the largest addressable market.

Coming to the ethnic business. The business delivered annual revenue of INR2,227 crores in FY '26, growing 14% Y-o-Y and growth in Q4 stood at 3% versus last year. The portfolio continues to scale well with a network of over 680 stores across key markets in the country. The business also delivered a 16% like-to-like growth during the year, reflecting continued consumer traction across the portfolio.

Profitability improved significantly with FY '26 EBITDA margin expanding by 560 basis points to 10.8%. Overall, the ethnic portfolio made solid progress during the year across both growth and profitability and remains a key strategic pillar for us. As you are aware, our ethnic portfolio comprises of 2 segments, designer-led and premium ethnic.

Our designer-led ethnic portfolio continued to perform well, delivering robust growth along with strong double-digit profitability. Revenue momentum was supported by focused category extensions, craft-led and contemporary product launches and deeper brand collaborations across the portfolio.

Now within the premium ethnic wear brands, TCNS continued with its profitability improvement journey during the year. The business delivered 7% like-to-like in Q4 and 10% like-to-like growth in FY '26, supported by a sharper product proposition, refreshed collections and new launches that resonate well with consumers.

As indicated earlier, we made meaningful progress on reducing losses with full year cash losses reducing by more than half compared to last year. We remain focused on further improving the margin profile through better store productivity, cost discipline and operating leverage as the business scales.

The business has also kick started its expansion journey this year in a calibrated manner, adding 23 new stores during FY '26. During the quarter, we also launched the first W flagship store in Mumbai, which is an important step in strengthening the brand's retail presence and showcasing the refreshed proposition to consumers with all its brands under one roof.

Tasva continued its strong growth trajectory during the year, delivering consistent double-digit like-to-like growth for the quarter as well as for the full year. The brand continues to build strength across product, retail experience and brand image with a clear focus on scaling across India's key wedding markets. The network now stands at 94 stores, and we will continue to expand selectively in high potential wedding markets.

Jaypore also delivered double-digit growth, supported by store expansion and healthy e-commerce performance. The brand now has its network of 44 stores and continue to strengthen its position in the premium artisanal and craft-led ethnic wear space.

On luxury retail, the collective and mono-brands business continued to grow profitably with its total network, including mono-brand stores at 49 stores.

Galleries Lafayette, India's first flagship luxury departmental store commenced operations in November 2025 and has seen encouraging early traction. The platform continues to drive consumer engagement through curated luxury experiences and collaborations, setting new benchmarks in luxury retail in India.

Our digital brands portfolio of TMRW delivered 45% Y-o-Y growth in Q4, underpinned by category extensions and high-impact marketing campaigns. Q4 cash losses narrowed Y-o-Y, led by better scale efficiencies and operating leverage. The portfolio also continued to build its omni-channel presence, closing the quarter with 120 stores, including WROGN across key markets nationwide.

As you are aware, with equity issuance of INR440 crores during the year and more recent fund tie-up of INR500 crores through NCDs, TMRW is now adequately funded with INR800 crores cash to pursue its aggressive growth plans.

In conclusion, the quarter reflects strong momentum across our businesses, supported by steady improvement in profitability.

We are seeing encouraging progress across both established businesses and newer initiatives, driven by healthy L2L growth, robust channel performance and continued execution discipline. As we look ahead, the market environment may continue to evolve, and we will remain focused on responding with clarity, speed and discipline.

Our priority is to stay close to consumer trends, make the right choices on product launches and network expansion and continue executing with financial discipline. We'll continue to scale our newer businesses in a calibrated manner while building on the strength and momentum of our



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mature businesses. This balanced approach should help drive long-term growth, improve operating leverage, strengthen the overall margin profile and build a solid foundation for sustained profitability over time. Thank you, and happy to take questions now.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Archana Menon with Morgan Stanley.

Archana Menon: Congratulations on the strong performance. My first question was actually on Pantaloons. So, the 17% Pantaloons format revenue growth. Yes. So, my question was on the Pantaloons format. If you could just help us understand what drove the 17% revenue growth. I understand there could be some benefit of the EOSS, which moved into this quarter. But any additional details you could help us with on this?

Sangeeta Tanwani: Yes, sure. Thanks, Archana, for the question. This is Sangeeta. So, Archana, like we had told you in the last call, the reason why we had pushed our EOSS, based on our new strategy, we were pretty confident of our merchandising sell-throughs, and therefore, we've chosen to move the EOSS to January.

This is really a quarter where we think our strategy that we've been working on for the last 18 months with a concerted set of actions, which are translating into results, which starts from, as Jagdish alluded in his speech, fundamentally defining our target audience in a very sharp manner, strengthening the Pantaloons proposition with a superior customer experience.

Some of the key levers that we have talked about in the past where we've now seen results come through clearly are the reset of our merchandising strategy, specifically in 3 categories, which is women's western, menswear and the non-apparel category. We've seen growth in excess of 20% in each of these categories in quarter 4.

Our sell-throughs, which is again a very important metric of the success of our merchandising strategy, we've seen the highest ever sell-throughs in our autumn/winter season. Secondly, I think the new store strategy with the new design with the purpose of creating a distinctive and superior customer experience seems to be paying off well.

The customers seem to be liking our stores. They are well accepted. We've seen the new stores also delivering very good results. We've opened large stores, as you probably know. And while we may have reduced in terms of overall the number of stores, in terms of square footage, we have only added about 68,000 square foot of space during the course of year despite having lesser number of stores because the stores we are opening are larger stores because we have the confidence of our proposition working.

Third, I think our online business I had alluded to this also in the last call. We feel, again, very confident of this business. It's demonstrated terrific growth in quarter 4 and through the year, and we are now ready to scale this business. We also relaunched Pantaloons as a brand, made

significant marketing investments, largely in the digital space, signed up on celebrity. And again, we have seen good results.

So, even if you keep the EOSS piece and you normalize -- keep it aside and you normalize for that and even if I look at November to March, which on the previous period kind of normalizes for festive shifts and on this side normalizes for the EOSS shift, our growths are very strong, both in terms of L2L and total growth even for the period, November to March.

And from a consumer profile standpoint, again, we are seeing that the customers who we were targeting demographically, we seem to be seeing us appealing to that set of customers in a more relevant manner. So, these are some of the drivers of our strategy, which we have talked about very consistently through the year. Strategy has been translated into action. We had said in the last call, we are seeing some green shoots, and we are very pleased with the quarter results that we've just delivered.

Archana Menon:

That's great to hear. Just continuing on this, firstly, could you help us with your online share of revenues for Pantaloons currently? And secondly, all these positives that you spoke of, is that helping you in a higher customer walk-in? Or is it more conversion or ASP? Any numbers that you can help us with? It's not for the full year, at least for the exit quarter, which you think is more sustainable going ahead?

Sangeeta Tanwani:

Yes. So, online as a business is still very small. And if you recall, a couple of years back, we had said that we will not invest in that channel. But over the last year, we called out omni-channel as one of our priorities. And now we have a path to profitability. The reason why we had paused that business was because we wanted to make sure that we can get the unit economics right and make this business profitable.

Today, it's about 3%, 4% of our business. It's not very large. But with all the shifts we have made this year, we feel confident of scaling up this business. To your third question in terms of the customer KPIs -- the biggest one, which we feel very good about is our increase in our basket sizes.

And that, again, is a ratification of the fact that the customers who are coming into our stores are liking what they are seeing. They are liking the experience in our stores, and they are liking the merchandise. And of course, it comes with a lot of operational discipline, which is a very important leg of our strategy as well in terms of how we serve the customer, the rhythm of how we display our merchandise, etcetera. So, increase in basket sizes has been one of our biggest levers of growth.

Archana Menon:

And just last question from me on the current environment with inflation. I mean, what is the level of inflation that you are facing for Pantaloons and for OWND? And what is the strategy around that? I mean, where do you think you can take price hike? And should we be thinking of any margin impact in the next couple of quarters?

Ashish Dikshit:

So, Archana, I'll take this question because this is, I think, broadly relevant to the entire portfolio, not just to Pantaloons. We are experiencing something like 3% to 4% sort of inflationary pressure as far as raw materials is concerned. Obviously, this is not the entire cost. Raw material is a part of the cost.

And therefore, effectively, it would sort of put pressure in the second half of the year to take -- to fully counter it, take price increases between 5% to 8% depending on the category. We are still evaluating. We don't have a firm view on whether we'll pass on all of it, some part of it and perhaps we'll be differentiating between different parts of the businesses.

Moderator:

Next question comes from the line of Tejash Shah with Avendus Spark Institutional Equities.

Tejash Shah:

First question pertains to overall your read on demand sentiment because this quarter was a slightly muddy quarter in terms of the first 2 months were very normal and then the last month, we saw disruption at a macro level, not in India, but otherwise, the sentiment-wise and then supply chain-wise. So, whether the last month has disrupted the flow materially or at all? And then should we extrapolate the sentiment or revival that we have seen to FY '27 as well?

Ashish Dikshit:

So, Tejash, I think FY '27 on a full year basis is perhaps too much of a stretch when things are changing on a daily basis, would be hard to assess on a full year basis. But to your question on a more near term, you're right. I think there was a marginal impact in March, which was -- which slowed down some of the momentum which had built up in the previous 3 to 4 months.

But we have seen demand nearly normal for most part of April and going into this quarter. So, as of now, while we feared a significant sort of risk on demand, as of now, we have not seen it play out. Having said that, most of the inflationary pressures are perhaps still at work and may play out fully over the next 3 to 4 months. And therefore, consequent sort of pressure on demand is something that we'll have to wait and watch for in the second half of the year.

Tejash Shah:

Clear. Second, very heartiest congrats on super LTL and Pantaloons. First, just wanted to understand what would be the breakup of volume versus price premiumization mix on that? And second, the point that Sangeeta, you mentioned that it is still basket size increase that we are seeing. So, when do you think that this will actually convert into word-of-mouth momentum and we'll see increased footfall also because of the changes that we have made in the last 18 months?

Sangeeta Tanwani:

Yes. Tejash, so as far as footfalls and walk-ins are concerned, we've anyway seen through the back end of quarter 3 and quarter 4, we've seen an increase in footfall. And therefore, we feel that the momentum that we've generated, walk-ins is a part of our growth because you need that funnel at the top to come in for us to be able to deliver conversions and basket size.

So, we've already seen a step-up in our basket size, like I said, towards the second half of third quarter and fourth quarter. As far as pricing is concerned, our price increased through the year was negligible. We've hardly taken any price increases. And in fact, in quarter 4, our pricing

would have been, in fact, marginally negative. So, a large part of the growth has come from volume.

Tejash Shah: Yes. And looking at the response that we have got in terms of LTL also confirming that, should we revisit our mid-single-digit LTL guidance? And also, should we revisit our store expansion plan and much more upper end of the guidance?

Ashish Dikshit: I'll step in Tejash. I think strategy has taken time for all parts of its pieces to come together. As Sangeeta described in her response to Archana's question initially, actually from mid- to late October, almost for last 5 months of the year and going into this year, we are seeing a fairly consistent uptick in almost all measurements.

Both quantitative and qualitative, gives us confidence that much of what has been worked upon in the last year, 1.5 years is actually turning into a consumer benefit, which is showing up in the response. Now we would obviously, in this environment, be a little watchful, but I would be more inclined to go with your suggestion of slightly better and more rapid expansion.

We won't change the -- it takes a long time for funnel to shift. And therefore, we'll obviously -- some of it will be back-ended as far as this year is concerned. And also, hopefully, we'll continue this momentum of strong like-to-like growth. Even if you take away this EOSS impact in this quarter, as Sangeeta said, that 5-, 6-month delivery of high single-digit, near double-digit kind of like-to-like with the business has been delivering month-on-month.

That's something that we hopefully will stand out for a later part of the year. My only concern is really the demand compression towards, if any, coming towards the second half of the year when the cost inflation, not just in textile, but overall basket, if it brings any slowdown in the market. But we are feeling very confident about the strategy. It's not just stores are looking good, products are looking good. Consumers are responding well. And finally, it's also beginning to flow into financials.

Moderator: Next question comes from the line of Garima Mishra with Kotak Securities.

Garima Mishra: My first question is on the company's cash flow situation. So, it seems like cash consumed in FY '26 is of the order of INR1,400 crores. I'm just summing up the operating cash flow payments for lease liability and capex, right? So, how are you viewing your liquidity situation considering per your earlier guidance, the company becomes FCF positive only by FY 2029?

Ashish Dikshit: I'll get Jagdish to respond to.

Jagdish Bajaj: Thanks, Garima. So, at the standalone level, we started the year with a gross cash of INR2,100 crores. As stated, we are planning to utilize it INR1,000 crores in FY '26, INR600 crores in FY '27 and INR500 crores in '28, post which we aim to be FCF positive in FY '29. In FY '26, we were cash EBITDA positive, at a standalone level.

As we aggressively ramped up our new businesses during this quarter -- during this year, we consumed totalling to around INR1,000 crores, INR300 crores towards working capital, INR450 crores towards capex and infused INR250 crores in our ethnic subsidiaries.

In FY '26, our investments were high due to onetime investment in GL and we rebranded OWND, which aggregate to INR200 crores.

So, this is some sort of one-off onetime expenditure, which I would like to call it. But FY '27, we aim to utilize INR600 crores towards ramping up our businesses and invest in working capital and capex of which INR450 crores and INR150 crores will go into investment in subsidiaries.

From now onward, as our subsidiaries, including designer-led brand and TMRW have reached size and scale, they will fund their own growth as they have reached this level. And in this context, TMRW has already tied up the debt funding of INR500 crores by way of debentures. On completion of this funding, they will have INR800 crores cash in their books, which will support TMRW's growth plan. So, we have to spend not more than INR600 crores during this year. And I have roughly INR1,150 crores cash available with me, which is sufficient for next 2 years' cash.

Ashish Dikshit: Garima, this response was from the context of standalone because that's the investing entity, and we have looked at investments in all the subsidiaries as well as our own internal need for funding for the standalone part.

Jagdish Bajaj: The CFS level, you are right, INR1,400 crores, but which is in TMRW's loss, et cetera, for which they have already raised INR440 crores of equity raise.

Garima Mishra: Okay. Understood. So, you're basically saying that incrementally, you're not foreseeing some big debt increase or additional large debt requirement that the company needs to take. There is debt, but against that, there is cash and that cash you can keep consuming?

Jagdish Bajaj: That is right.

Garima Mishra: Okay. Understood. My second question is on Pantaloons. So, Pantaloons last few quarters, the store count per se has not changed very meaningfully, right? So, maybe I have missed this number, but a, does this 399 store count include stores of OWND as well? And b, how should we look at store addition plans going forward?

Sangeeta Tanwani: Yes. Hi, Garima, this is Sangeeta. So, 399 is just the number for Pantaloons. It does not include the OWND number. As you know, again, as part of our strategy that we defined 18 months ago, we chose very consciously to close stores that were either not profitable or stores that were not in line with our strategy.

And over the last couple of years. We've kind of gone through that exercise and optimized our network. Going forward, as you heard Ashish mentioned, given the fact that we are seeing some

early results of our strategy, though the plan for this financial year is about 20, 22 stores, I think as we get more confident, we will look at some point of time to step up this agenda and accelerate our store expansion.

Garima Mishra: Got it. Got it. And my last question was on the ethnic business. Now here, I think the 2 large entities, especially on the everyday ethnic everyday or whatever, festive ethnic piece are Tasva and TCNS. So a, could you highlight the losses which TCNS incurred in FY '26? And what is the progress on Tasva? What is the response on stores that you are seeing? And when do you expect the Tasva piece to breakeven? That's it for me.

Ashish Dikshit: So, Garima, Tasva as we have maintained, has remained in a very strong growth trajectory and today continues to be in investment phase. It's one of the exceptional breakout growth in the otherwise somewhat subdued wedding markets and ethnic wear category with like-to-like growth of 20% plus for the full year for FY '26 and overall growth, which is north of 30%, 33%. So, that's on a very strong momentum.

The profitability will take some time. We had said FY '28, and we still feel that's the right assessment at this point as well. As far as TCNS is concerned, Jagdish in his opening remarks had talked about how the losses have halved this year versus FY '25. We're still not profitable. We'll probably towards the end of FY '27 is when we would expect to breakeven. And on a full year basis, definitely be profitable by FY '28 onwards. All this I'm giving you are still their IndAS profitabilities are positive in both cases. I'm talking of cash profit.

Moderator: Thank you. The next question comes from the line of Gaurav Jogani with JM Financial.

Gaurav Jogani: My question again is in relation to Pantaloons. Now if we add up the Q3 and the Q4 numbers and then we compare it with the last year H2 base, the growth is 6%. Now the growth that we see in Q4, would you say just it's merely a shift of the one quarter to other? Or I mean, as you've been highlighting that the strategy is working out. So, are you seeing the benefits again seeping in, in the Q1 numbers as well?

Sangeeta Tanwani: So, as I mentioned before, this is obviously not -- even if you normalize for the shift of the EOSS, as I mentioned before, even if I look at November to March, which normalizes for both the shift in festive from last year versus FY '25 -- and if you account for the shift of the EOSSs as well, our growth -- and therefore, quarter 3 plus quarter 4 may not be the best way to look at it because there's a shift of festive sitting there. And therefore, November, March is the cleanest period to kind of look at the true growth. Our growth are pretty high, like-to-like, in fact, is in the range of about 7% even in for those 5 months.

Gaurav Jogani: Sorry. So, when you say like-to-like, I mean, the reported growth obviously would be in the same line given the store additions have been negligible. So, would that be the right understanding?

Sangeeta Tanwani: No. The total growth would be slightly higher than the like-to-like growth. It's 9% to be precise.



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- Gaurav Jogani:** Okay. Okay. Now second question is with regards to the ethnic piece. I mean within that, the TCNS, would it be fair to assume that you have written that while the overall -- excluding the TCNS, the growth was in 25% around that region. So, for the year, would TCNS revenues again would have declined by 9% to 10%? Would that be a fair assumption?
- Ashish Dikshit:** No, no. TCNS revenues are virtually flat.
- Gaurav Jogani:** Okay. Because if Tasva has also grown strongly by 38%-odd for the year and Sabyasachi has also grown by 33%-odd. So, what would be then culminating to?
- Ashish Dikshit:** No, no, there are multiple other designers. There is 3 other designer businesses, there's Jaypore. So, it's a mix of 6, 7 businesses. So, I don't know which one you have left out. I'm giving you exact numbers. TCNS is just marginally negative 1% or 2%. And rest of the designers have also varied between 1%, 2% to 30%-odd.
- Gaurav Jogani:** Sure. So, I'll check that. And just last bit, when you say that you will not be requiring the incremental cash from '27 and '28 as well apart from the planned one, what kind of profitability are you building in across the major segments? So, that will help us to cross check our numbers as well?
- Ashish Dikshit:** I think I don't want to give year-on-year numbers. We had Gaurav, as you know, indicated our overall segmental shift in profitability in our long-term plan. We pretty much stay on that range, both on the cash utilization as well as profitability journey.
- Moderator:** Next question comes from the line of Ankit Kedia with PhillipCapital India.
- Ankit Kedia:** Sir, just within Pantaloons division, if I have to take OWND out there, what could be the Pantaloons margins, if I exclude OWND and what are the losses in OWND products?
- Ashish Dikshit:** Pantaloons margin for the quarter, and I think for the year are also between 18% to 18.5%, which is the margin that Pantaloons has consistently delivered slightly higher than last year. OWND losses are, therefore, causing the rest of the difference between the segmental profitability. Business is still very small. We are investing. We've got a whole new team, separated the business, relaunched the brand this year. So, we'll have to wait and see, wait for some more time to get a reasonable sense of profitability of this business.
- Ankit Kedia:** So, in this environment where you said demand challenges could come in second half, and we're also looking at price increases to mid- to high single digit, the confidence in Pantaloons would be significantly higher versus OWND. And hence, should we have slower stores opening in OWND versus Pantaloons this year?
- Ashish Dikshit:** Yes. If you look at the Pantaloons and OWND price segment and market opportunity, Pantaloons with 400 store network operating at higher price points is talking about 20, 22 stores. OWND

operating at half the average price point, practically start-up base is also operating at similar level of -- this year, we are looking at 20 to 30 or at best 30, 35 stores.

Primarily, it's not to do so much with the market environment because these are multiyear businesses. We can't be reacting very short term to these long-term opportunities. This is more to do with us wanting to be clear, getting the operating parameters right, getting the store economics right, getting the merchandise mix, the team and everything else, which is why this year, we are not accelerating as fast as the opportunity might be.

Ankit Kedia: Sure. My next question is for Tasva. Our check suggests you're entering womenswear in Tasva as well this year. So, from a profitability perspective, FY '28, does that include entry into womenswear in Tasva as well or no?

Ashish Dikshit: No, I think by then, Tasva womenswear, if at all, we do launch, will be a very small part of it. So, I don't think it will materially create a shift. Because unlike launching a new brand where you have 3 new costs, a whole new brand and marketing cost, a whole new store cost because you have to set up exclusive stores and a new team cost.

In Tasva women launch, we have no incremental cost that we are talking about. It will launch in the same store under the same brand by largely the same team. And therefore, it will not materially change the economics either way, at least in the short term. In long term, of course, we see this as a large opportunity.

Ankit Kedia: Sure. And I know you will not talk much about it, but in which category in womenswear are you planning to launch it? And where do you see the white space?

Ashish Dikshit: I think women getting married is the white space that we are looking at. You know the opportunity. It's very large. It's a fragmented market. We'll be in a position to talk about it, I think, in the next 6 months or so. It's too early. I don't think even FY '27, we'll see much action on it.

Ankit Kedia: Sure. And last question, if I may squeeze in. Just on cash flow statement, if I look at lease liability last year versus this year, a significant decline. So, high rental stores have that been closed or we have moved more towards variable rental? Why is the interest and lease liability decline in cash flow significantly?

Jagdish Bajaj: Lease liability has gone up from INR3,600 crores to INR4,500 crores.

Ankit Kedia: Sir, I'm talking of cash flows, repayment of lease liability?

Jagdish Bajaj: So, that is the lease agreement, et cetera, that is separate. But my lease liability because we are entering into agreements, which is there in the balance sheet. Cash flow is the adjustment of if there some closure takes place or the old leases expire, that will come into this.

Ankit Kedia: But it's a significant decline versus last year. So, have we changed some accounting for that?



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- Jagdish Bajaj:** No, no, no change in accounting, nothing.
- Moderator:** Next question comes from the line of Sameer Gupta with IIFL Capital.
- Sameer Gupta:** Firstly, and I know a lot of people have asked on this, but Pantaloons. So, if I look at the full year numbers and this normalizes for festive shift, EOSS shifts, etcetera, it's a 2% LTL. And this has generally been a good year for apparel. So, we have a Shoppers Stop and a V-Mart both reporting 5% LTL growth this year. So, is it a case in case of Pantaloons of the first half being poor and second half with all our strategies and actions? Is that the case?
- Ashish Dikshit:** Yes, that's right. Absolutely.
- Sameer Gupta:** Okay. And if that is the case, then why are we still not accelerating the pace of store addition? I heard in the other question, you said 20 to 22 store additions in FY '27, and this happens to be a multiyear opportunity. Why then the confidence is not showing in our store addition guidance?
- Ashish Dikshit:** So see, it will be very knee-jerk reactions if we keep reacting to every quarter's responses, which is why we look for long-term trends and opportunities, which is why, as Sangeeta mentioned, we have looked at last 5, 6 months of last year as well as we are getting into this quarter.
- Increasingly, all the pieces of strategy are coming together. The store addition pipeline takes time to build. So, when you decide it takes 6 to 9 months, for right quality of stores, which is another part of our strategy because we were adding too many stores too rapidly and therefore, in some sense, the quality and impact and visibility was not of the same order that we wanted. And that pipeline takes time to build.
- So, anything that we decide to do doesn't really play out in 6 to 9 months. And that's why the guidance has not shifted. But as Tejash had suggested in his question and my response, we obviously are looking to scale up a little faster. In the shorter term, you may not be able to see the impact of it.
- Sameer Gupta:** Got it, sir. So, still -- we are still in a slightly cautious mode here? Or is it just the pipeline takes time to build?
- Ashish Dikshit:** It's a pipeline which takes time to build.
- Sameer Gupta:** Sure. Great. That answers that. Second question, again, this has been asked in some different forms, but I have a slightly different version of a question here. So, INR1,400 crores cash outflow this year. And in general, most of the segments' profitability has improved. So, first of all, when you started this year, did we envisage a INR1,400 crores cash outflow in the overall business?
- And now because we are at a net debt position and the breakeven in some of these businesses, which still require investments is still some time away, you might see the net debt. I'm looking

at overall net debt on the business on a consol level, that will keep increasing. So, is there then a foresight of an equity infusion in near future?

Ashish Dikshit:

No, I think we are pretty much -- Jagdish should explain the numbers. If you look at consolidated basis, the net cash position was about INR2,500 crores, INR2,400-odd crores beginning of the year, which was about INR2,150 crores on a standalone basis. There was a plan of INR1,000 crores this year, INR600 crores next year, INR500 crores hereafter.

We are pretty much going as per that plan, which factors in the stage level of profitability shift across various businesses as well as growth in the capex needs of the business and which is why while the debt may go up on a net level, there is adequate cash to fund not just standalone entity, but if any investments required in subsidiaries where we are investing.

There are some subsidiaries which are raising capital on their own. Jagdish just explained that TMRW with its proposed fundraise at the end of this quarter, we'll be sitting on something like INR800 crores of cash on its book. That's the one which requires highest growth capital. There are multiple other smaller subsidiaries, which have strong profitability to be able to raise capital on its own books if required. So, we have factored in all this, and that's why the calculation that Jagdish has given explain everything.

Sameer Gupta:

I understand, sir. I also understood Jagdish sir's explanation. But at the end of the day, we will have a capital structure with a significantly larger net debt, which might be slightly risky in a retail business. So, how are you looking at that possibility?

Ashish Dikshit:

No, we have seen cycles over a long period of time. Obviously, if there is a COVID-like crisis, we'll have to react differently. But we are pretty confident that this is the sort of right structure, which allows equity shareholders to maintain their levels of equity and the business to grow remarkably as we grow.

Sameer Gupta:

And is there a level of this net debt then, which is where you will be comfortable, let's say, on an absolute basis or a net debt-to-EBITDA basis?

Ashish Dikshit:

So, we'll look at that number as it plays out. I don't want to give projections of this, but I think we have maintained over the last 7 years in multiple presentations that as a company, first ABFRL united company, which included ABLBL and separately here, anything around 2 to 3 is what we have mentioned for any of our fashion companies. We are very far, but that's the guidance we gave 5 years back and 3 years back. It's in public domain. We don't have to ask me this question.

Sameer Gupta:

Sure, sir. No worries. Last question, bookkeeping one. capex guidance for FY '27 and in just the '26 number, overall INR500 crores capex, if you could give a rough split between different businesses, Pantaloons, Tasva, TMRW, Galeries Lafayette and the guidance for FY '27?



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Jagdish Bajaj: So, I covered it includes INR150 crores of GL, the store which we opened. That will not be there going forward. Otherwise, the remaining other capex has gone into OWND, Pantaloons, Tasva and the TCNS, we opened around 25 stores. And TMRW also opened around 30, 40 stores.

Sameer Gupta: And going forward, sir?

Jagdish Bajaj: Next year, this one-off type of thing will not come. So, we have -- in our plan, I already conveyed roughly INR300 crores capex, INR250 crores to INR300 crores at console level.

Moderator: Next question comes from the line of Hemant Shah with Enam AMC.

Hemant Shah: First thing, I wanted to understand on the OWND. So, now across the 79 stores, what is your experience in terms of consumer acceptance of our merchandise, the profile of consumers -- and given that there might be some impact of inflation in the second half. So, how do you see the impact on this brand?

Ashish Dikshit: So, OWND, as you know, is in a very early phase in a market where there are multiple players between 300 to 1,000 stores. We have just started the journey. So, early stage for us to make conclusive sort of points about it. There are largely 2 set of customers. One is young people who are looking for what one could call a disposable fashion, fast fashion, different names used for it, which is high fashion but low price.

The other is simply customers who are looking for reasonable quality at low price, which is mid-to low-income family customers. Both these profiles currently exist. We are obviously developing our point of view on where we want to shift our customer to, and that's something that's part of our overall strategy. But I wouldn't take too much in such a large market with such an early stage of evolution. I don't want to sort of narrow our opportunity at this point of time.

Hemant Shah: Any impact you see on the demand if the inflation in the second half leads to some sort of price action?

Ashish Dikshit: So, we have seen both at some level. Sometimes inflation causes downward pressure and therefore, value retailers gain out of it. At other times, it leads to lower discretionary demand. As I said, our size of our business compared to the size of the segment is so small that I don't think we will be material beneficiary or material sort of we won't take a significant hit on account of that.

We'll have to remain cautious in terms of our pricing in this and perhaps should be more conservative as far as price increases are concerned. But I don't think we'll be able to -- anything that happens in this segment will be reflected in such a small business at this point of time.

Hemant Shah: Second, on the ethnic category, I just wanted to understand your view on the competition, especially from the local or regional players -- is there intense or aggressive competition coming up or the competition is getting down? Just your thoughts on that?

Ashish Dikshit:

I think this is a category which has seen fairly large number of players entering this space over the last, I would say, 8 to 10 years from mid-2015, '16 when e-commerce started to develop, it offered opportunity for multiple small brands, labels, manufacturers to put their product. In the last 5, 7 years, that has further sort of grown rapidly. I don't think new competition is entering this space because it's already pretty crowded with very low entry barriers and large number of players.

I think the challenge is to create a distinctive brand where you can stand out and charge a reasonable premium to be -- to build a brand around it and which is why we are building the business the way we are building. If your question is about the regular women's ethnic wear. On the men's ethnic wear, the market is fairly consolidated. There is obviously a larger number of smaller players, but I think there, the big players have taken a more formidable position.

Hemant Shah:

Just last one, I wanted to understand on the rent. So, given we are in an inflationary space, how do you see the current rentals? And do you see -- given that there might be some impact on demand, do you see then the rentals lowering or remaining at current levels? And would that change the store addition trajectory for us?

Ashish Dikshit:

See, rentals are sort of midterm, they don't follow a very short-term phenomenon. If the demand compression is slightly longer, definitely, there will be compression on the rental side as well. But if it's a very transient and temporary feature, then I don't think it will significantly change that trajectory.

Moderator:

Next question comes from the line of Kunal Bhatia with Dalal & Broacha Stock Broking Limited.

Kunal Bhatia:

Sir, we have spoken a lot regards omni as far as Pantaloons is concerned and also the online businesses in general, getting more traction. But could you give some sense on how the competition is panning out? So, are we seeing more competition even from the other players, especially on the overall online business is concerned? And also your specific comments on the same with TMRW because it's more of an online kind of a brand. So, how are you facing the competition there vis-a-vis how soon you expect the profitability in case of TMRW to come in, in this context?

Ashish Dikshit:

So, I think it's very similar to the question that was asked in context of the ethnic wear. There are -- it's not that new online players are coming. I mean online players have got established. All the new players who had to come have come in the last 6, 7 years. There are new players coming in.

Equally, there are older players which fall out. As far as TMRW business is concerned, you've seen consistently, we report every quarter the growth numbers -- we're still growing on a full year and a quarterly basis at 30% plus. This is the third consecutive year and about 10, 12 quarters with the exception of 1 or 2.

We have grown in excess of 25%, 30%. So, we are continuing to see strong trajectory as far as TMRW business is concerned. This is on the back of superior execution, building some of those labels into more stronger brand, giving management support wherever needed to the founders who had built the business early on and obviously, providing growth capital, which is really what has driven this.

As far as profitability of TMRW is concerned, we had indicated FY '29 as the year in which we expect that TMRW as a portfolio level, some of all brands to become profitable. We still see that journey. In the interim, we had -- as I mentioned, all the growth capital is primarily to drive growth of this business so that it's not just profitable, it's also substantive and a large business at that point of time.

Kunal Bhatia:

Okay. And so in case of TMRW to get to that profitability target, with current situation wherein we will be having a INR500 crores NCD, INR440 crores equity infusion, would we be requiring more debt to fund this growth? Or the INR800 crores of cash, which we would be having should be enough to fund that growth in order to get to a profitability level?

Ashish Dikshit:

So, we feel the INR800 crores is a substantial amount of cash on a business, which is already on a run rate of INR1,500 crores. If you look at the losses that we report on an annual basis, close to about INR200 crores. So, we feel that there is enough cash lever to both grow the business and with scale, also drive profitability within the brands and the overall ecosystem. So, we feel comfortable with that.

Kunal Bhatia:

Okay. And sir, my second question is in terms of the overall raw materials. So, you would be obviously having your forward bookings for the coming season. So, what is your anticipation specifically on the ABFRL level? What is the kind of inflation? I'm not talking about industry in general, but for you per se, what is the inflation which has already kicked in for you for the next 6 to 7 months?

Ashish Dikshit:

I had indicated about 3% to 5% in response to an earlier question.

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 inquiries, you may please get in touch with Mr. Amit Dwivedi. You may now disconnect your lines.