"Aditya Birla Fashion and Retail Limited (ABFRL) Q1 FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the First Quarter Earnings Conference Call of Aditya Birla Fashion and Retail Limited. The call will begin with a brief discussion by the company's management on the Q1 FY 2027 performance, followed by a question-and-answer session.

As a reminder, all participant lines will be in the listen-only mode. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

We have with us today Mr. Ashish Dikshit, Managing Director; Mr. Suraj Bahirwani, CEO, Pantaloons; and Mr. Jagdish Bajaj, CFO. I want to thank the management team on behalf of all the participants for taking their valuable time to be with us.

I must remind you that today's discussion may include certain forward-looking statements and therefore must be viewed in conjunction with the risks that the company faces. Please restrict your questions to the quarter performance and to the strategic questions only. Housekeeping questions can be dealt separately with the IR team.

With that, I would now like to 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 Q1 FY 2027 earnings call of Aditya Birla Fashion and Retail Limited. From a demand perspective, the environment remained broadly stable and largely in line with trends seen over the last few quarters. Within the period, consumer traction was relatively better in May, while June reflected the market dynamics in the lead up to the market-wide end of season sale.

Overall, consumption trends remained steady across categories and channels. Occasion-led consumption, however, saw some moderation as Adhik Maas impacted the peak wedding season and consequently led to lower wedding-related purchases. Against this backdrop, ABFRL sustained its double-digit growth momentum with healthy traction across key businesses, underscoring the resilience and strength of our diversified portfolio.

Our retail channel, in particular, remained strong across the portfolio, supported by upgraded merchandise, sharper assortments, improved in-store experience, and sustained consumer engagements.

Now moving to the financial performance of the quarter. ABFRL reported revenue of INR2,026 crores, registering an 11% Y-o-Y growth. Over the years, ABFRL has built a large, diverse portfolio comprising both large established businesses and newer growth platforms.

Our established portfolio includes businesses such as Pantaloons, the TCNS, our designer-led brands, and The Collective and Mono-Brand businesses. Alongside these, over the last 4 to 5 years, we have incubated and scaled several new businesses, including TMRW, Galeries Lafayette, OWND, and Tasva.

Viewed through this lens, both our established and newer businesses contributed meaningfully to growth during the quarter.

Our established businesses delivered steady high-single digit growth. Importantly, this growth was accompanied by margins that remained broadly stable compared with the same period last year, reflecting the underlying strength and resilience of these businesses.

At the same time, our newer businesses continued to scale strongly, delivering around 30% Y-o-Y growth, supported by the expansion of the retail footprint and continued investment in building these businesses for the long term.

Moving to profitability, EBITDA for the quarter stood at INR167 crores with a margin of 8.2%. The Y-o-Y decline largely reflects lower treasury income, along with continued investment in scaling our newer businesses. Excluding treasury income, EBITDA increased Y-o-Y, reflecting better operating performance on a comparable basis.

At a segment level, the ethnic businesses maintained broadly stable EBITDA, while TMRW continued to demonstrate improvement in its profitability trajectory with Y-o-Y EBITDA losses narrowing during the quarter. Reported loss for the quarter stood at INR249 crores, compared to a loss of INR234 crores in the corresponding period last year, primarily due to higher Ind AS depreciation and finance costs associated with new store openings.

Coming to the balance sheet and cash position. At the standalone level, we ended the quarter with gross cash of approximately INR1,000 crores. The deployment of this cash remained broadly in line with priorities and framework that we outlined during the previous investor call. We are confident that this cash is enough for us to fund the businesses for next 2 years, with annual cash funding requirement of INR500 crores to INR550 crores. And by FY 2029 and '30, we expect the business to be FCF positive.

On our retail network expansion, we continued to follow a calibrated and measured approach to expansion. At the end of the quarter, our portfolio comprised 1,286 stores, spanning more than 7.9 million square feet of retail space. During the quarter, we added more than 45 stores across the portfolio, with expansion focused on markets and brands where we continue to see attractive long-term growth opportunities. Now let me brief you on the performance of individual segments.

Coming to the Pantaloons segment. Revenue for the quarter stood at INR1,204 crores, registering a 10% Y-o-Y growth. EBITDA margin came in at 15.9%, lower than the previous year, largely reflecting the continued scaled up of OWND. The Pantaloons business delivered another solid quarter, with revenue growing 7%, supported by a healthy 4% like-to-like growth.

The Pantaloons strategy continues to progress well, with sharper merchandise, improved fashion relevance, and the new retail identity driving better consumption traction. Digital momentum remained healthy, further extending the overall omni-channel proposition. OWND delivered 55% Y-o-Y growth, primarily led by network expansion and increasing consumer traction.

During the quarter, we added 10 new stores across the segment, comprising 1 Pantaloons store and 9 OWND stores as we continue to expand the network in key markets.

Turning to our ethnic portfolio, it is one of the most comprehensive portfolios with annual revenue more than INR2,200 crores. This business in Q1 reported revenue of INR454 crores, registering a 4% Y-o-Y growth while margins remained broadly stable.

This growth is to be seen in context of higher wedding dates in Q1 last year, and the impact of Adhik Maas on occasion wear related purchases this year. Some of our designer wear businesses also got impacted due to lower wedding purchases in context of global disruptions, where the order book went down. Despite all this, the portfolio delivered a healthy 5% like-to-like growth, reflecting the underlying strength of the brands and their consumer proposition.

As you are aware, our ethnic portfolio comprises 2 distinct segments, designer-led brands and premier ethnic. Within the designer-led portfolio, the business continued to deliver profitable growth during the quarter, supported by strong category extension, differentiated collections, and high-impact collaborations. Overall, the portfolio grew at a high-single digit growth rate.

Now within the premier ethnic wear brand, TCNS, the retail revenue grew 10% Y-o-Y, supported by low single-digit like-to-like growth and network expansion, with 8 new stores added during the quarter. However, the non-retail channels de-grew in pursuit of building them profitably. The portfolio continues to sharpen its product propositions with greater granularity in assortments and a broader merchandise grid designed to cater to a wide range of occasions and consumer needs.

Alongside measured retail expansion, these initiatives are beginning to strengthen the underlying business, and we remain confident of building momentum and narrowing full-year losses. Tasva delivered robust growth of 35% Y-o-Y, with double-digit like-to-like growth, marking the eighth consecutive quarter of positive LTL performance.

The brand continues to strengthen its proposition through sharper product differentiation and greater regional relevance, driving healthy consumer traction and helping it gain market share across key wedding markets. Tasva's retail footprint now stands at 90 stores, and we continue to expand its distribution in key occasion wear market going forward.

Moving to luxury retail, The Collective and Mono-Brand portfolio maintained healthy momentum, delivering double-digit Y-o-Y growth, strong like-to-like performance together with sustained e-commerce traction supported the quarter.

The network stood at 51 stores at the end of the period following the addition of 3 new stores. Galeries Lafayette continued to progress well following its launch last November. We are seeing a steady improvement across key operating indicators alongside growing brand awareness and consumer engagement.

A series of high-impact brand and celebrity collaborations has also helped drive footfall and reinforce Galeries Lafayette's positioning as a differentiated luxury retail destination in India.

Turning to TMRW, primary sales grew 11% Y-o-Y, while secondary sales increased at a faster pace of 16%, reflecting healthy underlying consumer demand. Importantly, cash losses narrowed further during the quarter, benefiting from improving operating leverage and greater scale efficiencies.

We will continue to drive the trajectory going forward as well with a clear path to achieving brand-level cash profitability over the next 12 to 18 months. At the same time, TMRW continues to strengthen its omni-channel footprint, adding more than 20 stores during the quarter. Including Wrogn, the portfolio now operates over 140 stores across key markets nationwide, providing a stronger platform for the next phase of growth.

In conclusion, the quarter saw us carry forward the momentum built from the preceding period with healthy growth across several parts of the portfolio. While we remain mindful of the evolving consumer or macro environment, we will continue to navigate it with discipline and agility, taking appropriate actions as required. Our diversified portfolio strategy continues to play out in line with our expectations.

Our established businesses remain on a steady growth trajectory, supported by strong brands, improving consumer propositions, and disciplined execution. At the same time, our newer businesses are getting scaled and building stronger market positions with a clear focus on improving operating leverage and progressively reducing losses as they move towards greater maturity. As we look ahead, our priorities remain clear.

Sustain growth in our established businesses with better margins, scale our new platforms responsibly, strengthen profitability, and maintain a disciplined approach to capital allocation. We'll also closely look at areas to bring in efficiency and leverage to make sure the overall profitability is enhanced.

We expect the losses to narrow going forward and to build a business that is sizable and profitable in context of the large market opportunity that is the fashion and lifestyle space in India. 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 Garima Mishra with Kotak Securities.

Garima Mishra: First question is on the Pantaloons segment. Revenue for the segment scaled pretty fast this quarter, and presumably most of this is on account of OWND. So what is the consumer response to this format, and how much of the segment revenue and EBITDA contribution was on account of OWND in 1Q?

Ashish Dikshit: Thanks, Garima. As we have given in the IR deck, Pantaloons' business grew 7-7.5% this quarter of the total segment growth of 10%, and the remaining was from OWND. So 2%, 2.5% of segment growth incrementally came from OWND. So Pantaloons also did show pretty decent growth this quarter. As far as the profitability is concerned, OWND still continues to be in an investment phase and therefore profitability mostly driven by Pantaloons. In fact, OWND has taken away some of the segment profit.

Garima Mishra: All right. And Ashish, in terms of consumer response to the format, and also what are your expectations in terms of store additions for this format?

Ashish Dikshit: So at this stage, Garima, we are sort of still watching the format in terms of its adequate profitability. We have still not achieved the format level profitability, which perhaps will take some time. We will probably add more stores towards the second half of the year. For the first half, I think our expansion plan is about 20, 22 stores.

Garima Mishra: All right. Got it. Second question is on TMRW. Now in 1Q, TMRW witnessed a slower scale-up of revenue, especially compared with last year. So what is the strategy here, and should we expect this sort of momentum of revenues to sustain in the near term?

Ashish Dikshit: So Garima, if you look at TMRW over last several quarters, the business has been growing close to 25% annually over last 3 years. Last year, same quarter was much higher, about 35%. On top of that, this quarter, there is a significant difference between secondary and primary, and that's why we've reported both.

While primary has grown only by 11%, the secondary revenue has grown by about 16%, 17%. We expect TMRW to continue to be on 20% plus revenue growth rate for the year. The business is gaining both momentum and is reducing the losses. And this year, therefore, is a significant year in TMRW's journey.

Garima Mishra: Okay. Maybe the last question from me. See the actually, absolute net loss for the quarter was still high. So should we assume that FY27 remains a year of investments, and then we start seeing improved profitability only FY28 onwards? Also, I think Jagdish did give the gross cash number, which I missed. So would appreciate if I could get both the period-ending cash and debt numbers.

Ashish Dikshit: So in terms of profitability, I'll let Jagdish comment later, Garima, we had indicated that over next 2 years, our losses will reduce. This quarter probably doesn't reflect it to that extent, but on an annual basis we will have lower losses this year, and '28 will probably be even lower losses. We had indicated that '29 is the year when portfolio will become fully profitable, and that's really the trajectory that we are on.

Jagdish Bajaj: And Garima, on cash, I said that when I started the year with roughly INR1,150 crores, INR1,200 crores cash, now I have INR1,000 crores approximately. By year-end, I will have around INR500 crores.

Ashish Dikshit: This is the standalone cash.

Jagdish Bajaj: Standalone cash. And you are aware that TMRW has already raised INR500 crores for their growth plan, so we don't have to contribute to them now.

Moderator: The next question comes from the line of Tejash Shah with Avendus Spark Institutional Equities.

Tejash Shah: Couple of questions. First, on Pantaloons, the format LTL has moderated from 14% to 4% this quarter. To large extent, you also called out that Adhik Maas kind of played spoilsport. So if you adjust for that period, how this number would look for the rest of the period?

Ashish Dikshit: So Tejash, fluctuated fair bit during the quarter. First, to sort of give context to 14% of Q4, we had mentioned in the Q4 call that was -- a part of that was because of the shift in EOSS, and we had called out from November onwards, which is almost the second half of the year, the business had grown with like-to-like of 7%, 7.5%. That is the sort of like-to-like trajectory we were in.

We started with a little bit lower April. May was much better with significant double digits, but June again came down. Therefore, the full quarter ended up being more modest at about 4%. We hope that as we go forward, the rest of the year, we'll be able to improve it and to get the annual like-to-like growth in at least high single digits.

Tejash Shah: Sure. And Ashish, how to read the consumer demand sentiment, because when we look at jewellery, it has been robust, obviously helped by gold prices. In pockets also, value retailers would have done well, and very broader discretionary also sentiments are mixed. So just your read on the demand on the ground.

Ashish Dikshit: So from our perspective, I think, I would still say demand has been quite steady and, I wouldn't say strong, but quite steady even this quarter. And therefore, the fear that demand might reverse or slow down hasn't been seen as of now. But as you know, we are moving to a slightly more inflationary phase in the second half of the year, so we'll have to keep watching on how that plays out.

For us, in terms of revenue growth, this quarter was more impacted by we have a large share of wedding wear businesses between our designers and some of the premium brands in ethnic wear. And that business was impacted by very specific marriage date related issues and a longer Adhik Maas, etcetera, which is more pronounced in our business. But I would say if I were to look at overall demand more reflected, both by industry performance and by rest of our portfolio, I would say this quarter at least the demand stood reasonably well.

Tejash Shah: Sure. The last one, if I may. On OWND, as we reached -- we have these 90 stores now, what are the early markers giving you confidence that we have found the right product market brand fit, and how should, like, one as an external observer like us, how should we get that confidence that this is the model that we are backing now to the fullest, and we have found that right sweet spot on the space?

Ashish Dikshit: So there are a couple of things that we are internally sort of measuring, clearly like-to-like, gross margin and sell-through are 3 parameters that give you a reflection of how any retail format works. We haven't got to a point where we are pressing an accelerator in this format. We still have some work to be done. We have a new management team which has come in.

We have dedicated the business separated from Pantaloons management and created a whole new team. Over the next 3 to 5 months, we will closely watch where some of the changes that we are bringing in the format, how they play out. At this point of time, we are not growing it as aggressively as you know we are capable of in terms of expanding the business.

We'll continue to, I would say, a large part of this year will continue to be getting the format right. And the best reflection would be store profitability, where we're just about breaking even. I think we need to do better than that and get to slightly better profitability before we press the pedal.

Moderator: The next question comes from the line of Archana Menon, an Individual Investor.

Archana Menon: This is Archana Menon from Morgan Stanley. My first question was on the TCNS business. So just want to get a better understanding about the performance this quarter, because there seems to be a difference between the reported revenue growth and the retail growth. And even for the retail growth, when I look at the LTL numbers, it seems to have come down from the 7%, 8% growth last 2 quarters, to 2% this quarter. So just wanted to understand what has led to this.

Ashish Dikshit: You're saying -- you're right. I think we've had very consistent, almost double-digit growth for 4 to 5 quarters. This is one of the quarters in which the like-to-like trajectory has remained low, which is about 2%. So I would say overall, not a very good quarter for the business. The overall growth is marginally lower than last year -- overall number was marginally lower than last year.

A part of it was we had, as you know, previous 12 to 15 months, we've been reducing old inventory. There was a lot of liquidation set into that base. So while our growth has come down, our margin is slightly better than last year at the same time. But I think, I have to say that with just 2% like-to-like, this has been a somewhat disappointing quarter from organic performance.

Archana Menon: How should we be thinking about this for the rest of the year, both in terms of LTL and new store openings?

Ashish Dikshit: New store openings, we look at, I think about 35 to 40 stores, probably at an overall level, which would be about close to 10% of space addition because these stores are slightly bigger. We're improving the retail performance. But like-to-like, we'll have to get back to high single digit and early double digit. There's a lot of work happening in contemporizing the brand, infusion, greater element of fusion, and contemporariness from traditional ethnic wear. And -- so you'll see a lot of it plays out in the second half of the year.

Archana Menon: Understood. And on the core Pantaloons business, so ex of OWND, could you help us understand how the profitability for the Pantaloons brand has been moving?

Ashish Dikshit: So the Pantaloons brand, as you know, has been operating close to 18% EBITDA as we used to report at some point separately. I think the business performance is pretty much similar to last year's. Growth is 7%, but EBITDA margins are in a similar region. It's OWND, which is pulling it down for the segmental margin to be marginally lower.

Archana Menon: Understood. And last question from me on the inflation. What is the kind of inflation that you are seeing for both Pantaloons and OWND? And have any price hikes already been taken? So the point I am trying to figure out is how should we be thinking about margins for both 2Q and for the second half?

Ashish Dikshit: So there is inflation of close to 4% plus, which is there in both the businesses. OWND, at this point, we are still sort of getting the format proposition right, so I am less worried about it. I think in the -- we have not got a stable margin as yet. In Pantaloons, we have chosen to keep the price hike to much smaller part of this and not impact the customer because the rest of the basic proposition was working very well.

We think it is a transient phase for price increases in raw material, and therefore we have not passed on a large part of it. Half of it is passed on. The rest half, we have kept it. We hope to recover it through better sell-through, higher sales. But some of the margins at a gross margin level certainly will be impacted as we go into the second half.

Moderator: The next question comes from the line of Abhijeet Kundu with Antique Stock Broking. Since the line of the current participant has dropped, we move to the next participant, that is Devanshu Bansal with Emkay Global Financial Services.

Devanshu Bansal: Sir, I wanted to understand the growth, which we can anticipate for the ethnic segment for this full year. So TCNS obviously is slow, but I guess that is only 40% of the business, right? So in the rest 60% of the business, what is the growth rate that we can anticipate? As I understand that designer brands was due to shift or slow wedding season this time around. But overall, if you could just highlight what's your expectation for this year from ethnic segment.

Ashish Dikshit: So Devanshu, you're right. I think quarter one was very significantly impacted both by fewer wedding dates as well as the international travelers and weddings not happening enough, which has affected our designer wear part of the business. We expect this segment to perform 20% plus at an overall level, despite some of the drag which the TCNS portfolio currently has, which we expect to come back to at least early double-digit kind of growth.

Overall portfolio should be north of 20% for full year. This year is somewhat skewed in terms of H2 versus H1. So while Q1 and to some extent even Q2, and Q2 more so because of the shift in festival dates, nothing to do with wedding. H2 is likely to be significantly higher than H1 for the entire ethnic portfolio.

Devanshu Bansal: Okay. So despite 40% of the business being flattish and even in H1 overall maybe in single digits, you are anticipating that overall we may deliver 20% growth, right, in FY27 for this ethnic segment?

Ashish Dikshit: Yes, for the full portfolio. Yes.

Devanshu Bansal: Okay. And Ashish, currently for…

Ashish Dikshit: Sorry, just to add to that, Devanshu, that TCNS growth to some extent is also impacted by a large liquidation that we're doing, which I was responding to Garima's question earlier in the call. Some of the bases to that extent are unhealthy, and that's one of the reasons why TCNS, while may not show that higher growth as rest of the portfolio, it'll be healthier growth this time around. Sorry, you can go back to the next question.

Devanshu Bansal: So Ashish, for Galeries Lafayette, what is the revenue run rate currently? And sub-part to it, what is the overall investment that were made in this business? And what is the current level of operational loss also that you can sort of anticipate because it is in initial years? So if you could throw some light here.

Ashish Dikshit: Devanshu, you know we don't give this level of detail for each business, but you're right, I think the business is still operationally loss-making because the overheads do not cover the size of the business in its early stages. What I would say is between our The Collective business and Galeries Lafayette, we expect to break even, if not in the -- at least in the second half of this year at a total level, which is a combined level.

Devanshu Bansal: Okay. And last question, Ashish. So we acquired, or maybe the TMRW portfolio had this brand, Berrylush, which has been recently acquired by Snitch. So if you could throw some light because this business was expected to be this way, right? So that we acquire at certain valuation and then sort of improve and scale and then sell it off, right? So have we been able to create some value in this particular transaction?

Ashish Dikshit: No, Devanshu. I think just to correct you, we did have an intention to, but we didn't complete the transaction for Berrylush, which is about 3, 4 years back. It was never a part of our TMRW's portfolio. So whatever has happened is outside our portfolio. In TMRW we have not either sold or shut any of the businesses.

Devanshu Bansal: Got it. So this brand itself was not acquired at that point in time.

Ashish Dikshit: Yes.

Moderator: The next question comes from the line of Sameer Gupta with IIFL Capital.

Sameer Gupta: Sir, firstly on TCNS, I know it has been asked multiple times during this call, but we acquired the brand in October of 2023, and it has on an overall basis seen consecutive year of decline. Now I understand that when you acquired it, it wasn't in the best of health. But 2.5 years now, we are still cleaning up the non-retail portion. So, one, why is this cleanup taking more time? And, two, by when do we envisage this to be completed so that overall business can then return to a healthy growth trajectory?

Ashish Dikshit: I think we've got to that point now. There was a lot of cleanup, which had to be done with the old inventory, both in terms of quality and design sensibility. That shift has been going on. It did take time for us to understand the extent of challenges the business had, and as you know, fashion supply chain is a little longer than other categories, and therefore, even when you find that out, the change takes longer. But I think we are past that. We are behind that phase, and we expect that from this season onwards, which is festive period this year onward, we'll start to turn the business around.

Sameer Gupta: Got it. And with the renewed profitability that you have basically got to in this brand when the scale-up happens eventually.

Ashish Dikshit: Sorry, I couldn't get that. Was that a question?

Sameer Gupta: Basically the profitability that has improved with this cleanup. On that profitability only you would want to scale up, and there is no risk to profitability as you scale up, right?

Ashish Dikshit: Yes, yes, absolutely. We'll only scale up to the extent that profitability of the business is good. There's no hurry or need to scale up beyond that. I think we've taken quite some time to fix the business. We would like to scale up only the quality and profitable part of the business.

Sameer Gupta: Got it, sir. Second question is on TMRW. Now, again, this has also been asked, but maybe you can also elaborate on the specific points. 16% secondary growth for a portfolio where the expectation is 20% plus, and this is probably the least impacted from lower weddings or Adhik Maas. So any particular reason why the growth has been, even on a secondary basis, below expectations this quarter?

Ashish Dikshit: I don't think quarter-on-quarter it varies. Last year also, full year was close to 35%, while quarter one was close to 40%. So you have a base effect in some quarters. You have to -- I think the business has delivered a consistent 25% revenue growth for last several years. I think we are still on a good turf to deliver that kind of revenue growth.

I mean, at this point of time, I'm not worried about one quarter being slightly lower. I agree with you, this business doesn't have the impact of wedding dates or any of those things, and therefore, organically this should deliver 20% plus growth.

Sameer Gupta: That's pretty helpful. I mean, quarterly vagaries can happen. Just was looking if there was any specific that happened. But yes -- I mean, that's clear enough. Last question, if I may squeeze in. Again it has been asked, but on Galeries Lafayette, what kind of annual revenue run rate you are envisaging for FY27? That would be helpful just from a modeling perspective.

Ashish Dikshit: Just let it get to some -- let it see at least one season, I would say, before we comment on the number. As you know, we opened after the season last year. The store was opened. We've just gone through 6 months. Give us at least one full season so that we have a good sense of the revenue base.

Sameer Gupta: Secondly, on Galeries Lafayette only, in an interview or media report, we read that you plan to put up another Galeries Lafayette every 2 years. So just wanted a clarification from your end. Is that the plan, or we would want to just first gauge the performance of this one store before putting up more investment here?

Ashish Dikshit: No, I think if you read the full interview where it was covered. This is about after the business settles down, we have the opportunity to open a store in some part of the country every 2 or 3 years. That was the comment. So to correct that, at this stage we are focused on getting our Bombay right.

I think over the next 2 to 3 years, our goal will be to get a Delhi store coming, which would be -- which as you know, is the largest market in the luxury space, and therefore that would be our next step. Once these two start to deliver and come to some level of performance, we look to extend beyond that. But that's going into fifth and seventh years of the business.

Moderator: The next question comes from the line of Abhijeet Kundu with Antique Stock Broking.

Abhijeet Kundu: My first question was on Pantaloons. Pantaloons, we have seen the facade changing, quite a bit of work done on the visual merchandising part. So in all the stores which are a bit old and have been changed, what has been the kind of footfall changes or revenue growth in those stores? And what are the targets in terms of store addition in Pantaloons? That is my first question.

Ashish Dikshit: So you're right. I think there are 2 things happening. One is our new stores -- Pantaloons stores are distinctively superior in every dimension, visual merchandising, store layout, the facade, the quality of location and the size, etcetera, which is the new store. There is also a constant and a steady sort of renovation happening of the older stores, where we are doing a limited amount of change, which is possible in an older store, which is around the facade, cleaning up some of the display, improving visual merchandising, changing the displays, reducing inventory.

Those stores on a pre-and-post basis are delivering distinctively higher level of performance for us to give confidence, and which is why the new store -- the number of stores that we are renovating is moving much faster. At this point of time, I think close to 150 odd stores of the network, which contribute to more than half the revenue, is something which has undergone change.

And we are confident that as we press this harder over the next few years, we'll be able to change the shape of experience of all the Pantaloons stores. But the focus right now is on larger, more impactful, high revenue generating stores, which is where the work is. As far as the net store addition -- the store addition is concerned, we expect to add 20 stores this year. New stores, that is.

Abhijeet Kundu: Okay, sir. Got it. Sorry, if you're saying something.

Ashish Dikshit: I was saying there may be some closures as well, which we take a call post festive period. But I was talking some 20 new stores.

Abhijeet Kundu: Understood. On the ethnic business and also on the TMRW business. Within ethnic, which are the parts which are profitable and which is the part -- which is dragging down profit? Is it just TCNS and Tasva?

Ashish Dikshit: TCNS, Tasva, which are pulling it down, yes.

Abhijeet Kundu: Others are all profitable.

Ashish Dikshit: Yes, others are profitable. Designer portfolio is profitable.

Abhijeet Kundu: Okay. And why is that Tasva has not yet seen profitability? Is the scale of operations still low? Rentals are higher. What is pulling down the profitability?

Ashish Dikshit: I think the scale of operation is the one that we need to get. We're still at about 200-odd crores last year. The business is growing very well. It's growing at 35% to 40%. Wherever we are, we are creating an impact and significant share in the market. So we're very confident about the format. The stores are doing well. The consumer response is very good. It took us some time to sort of master the supply chain and the product architecture. But I think all that is in place. Now it's a function of just growing the format.

Abhijeet Kundu: And what should be the revenue which would make Tasva profitable? Going ahead, what should we look at?

Ashish Dikshit: I think double of where we are, between INR400 crores to INR500 crores.

Abhijeet Kundu: Understood. And in TMRW, again, lot of mixture of brands and perhaps got fresh investment. But what would be the levers of profit improvement in TMRW? Same, the scale of operations?

Ashish Dikshit: No. TMRW has 3 levers. One is definitely growth. This is a high growth business. We expect this to grow organically 20%, 25%. You heard my response to previous questions. So this portfolio, as the consumers, particularly young consumers, shop more and more online, has to have strong organic growth. So one is operating leverage coming out of that, which is scale. But this also has a shift in terms of gross margin profile of many of these brands.

Many of these brands operated at much lower price points, had inferior unit economics. So that's the work team has done over the last 2 years, 2.5 years, which is in a very short sort of way, we are converting what we're promising but smaller brands into meaningfully large brands, premiumizing the product, expanding the categories that they're playing in, improving the sourcing advantage.

So that's the second, which will probably show up both in the gross margin and the price increases that these businesses are able to take to improve their unit economics, which is different from scale. And the third part is really around the cost. As you know, these businesses have been acquired. Many of them are run by founders and their teams.

Over a period of time, as these businesses scale up, and we had also built a large team which is adding value, whether it's in design and sourcing or technology or digital marketing. So many of these will start to play out from a cost-leverage point of view as the organization starts to scale and starts to become one organization. So all 3 levers are there, and that's really why it will take a year and two before we get all this right.

But it's pretty much on a good, strong growth trajectory. This quarter is the first quarter where we have started to see the losses also coming down. We hope that this trajectory, and we expect this trajectory to keep going over the next couple of quarters so that on an annual basis, losses drop while we continue to hold the momentum as far as the revenue is concerned.

Moderator: The next question comes from the line of Prerna Jhunjhunwala with Elara Capital.

Prerna Jhunjhunwala: I wanted to understand this Pantaloons format. You mentioned that there could be some inflation impact while you would not take price hikes. Do you see the discounting in the system going down to combat inflation? And what is the full price sales for today versus what is expected going forward?

Ashish Dikshit: So I don't think inflation necessarily leads to discounting. Discounting is often a function of mismatch between sales expectation, inventory buildup versus the actual performance. So I don't see the second half of the year reflecting in higher discounting because very rarely in fashion industry, discounting is a competitive sort of lever.

It's very often the correction lever as far as the inventory is concerned. As we said, one of the reasons to not increase prices in line with the cost increase was, we believe this customer is ready only for a very marginal increase in her shopping habits, and therefore we are trying to maintain the volumes at this level.

And therefore, hopefully, there'll be no discounting while there might be initial sort of small negative hit on the margins, which is at a gross margin level. But through keeping the throughput superior, managing the inventory well, the overall margins we hope to continue to keep at the same level.

Prerna Jhunjhunwala: Understood. And what will be your expansion plans for Tasva, given that the growth rates are now steady around 30% plus for many quarters, and the format continues to become steady now. So any aggressive expansion plans over there to reach the higher volume revenues that it would require to become profitable?

Ashish Dikshit: So this year, our plan is to add 25, 30 stores on a current network of about 90-odd stores, which is a 30% expansion of network, and growth rate to be in line with that, which is pretty much what you saw in this quarter, 35% year-on-year growth. A large part of it came because last year also, we had expanded the network about 20, 25 stores. So this year is slightly higher, but -- I mean, 25, 30 is perhaps the right balance of growth.

Prerna Jhunjhunwala: And what would be the like-for-like in this format?

Ashish Dikshit: So far because the business -- I mean, last couple of quarters, we are getting in, I would say, mid-teens like-to-like growth for fairly large period. In many cases, the format was relatively new, so therefore, we also saw many a stores in 30%, 40% where the baseline gets established. Typically, what we are seeing is store takes 6 to 9 months to sort of get to a level where first year, 1.5 years, you see 20%, 25% growth after that. But it takes that much time to get started. As the network is still very young, we continue to see high double-digit like-to-like growth.

Prerna Jhunjhunwala: Understood. In TMRW, why can't you grow a little higher growth rate? Because if I see the top line of the segment, it's around INR200 crores for the quarter. So annualizing, it should be around INR800 crores, INR1,000 crores divided between 6 brands. So ideally, the growth should be 30% plus. That's how most of the D2C brands are growing, which are of a size less than INR200 crores or INR300 crores. Could you help us understand which brands are growing maybe faster than 20%, 25%, and which brands are growing and what is driving the growth for the mature, a little larger brand in the portfolio?

Ashish Dikshit: So honestly, our growth rate for the large part of the business is in excess of 30%. I mean, if you leave away this quarter, if you go back and check previous 4, 5, 6 quarters, the growth rate is much closer to what you are indicating, which is 30%, 35%. In fact, if you look at last year, on a full year basis itself our growth rate was 35%. So this quarter is a little bit of an aberration. I don't want you to take that as a shift in base. It's a sort of marginal blip on an otherwise strong 30% plus growth performance.

The reason I'm sort of talking of 20%, 25% at this point of time, because as we gain scale, we're also looking to improve their unit economics, which is on profitability, cost of customer acquisition, etcetera, which might moderate from mid-30s to mid-20s or late 20s. And that's really the indication that we want to give because one of the tasks for this portfolio is also to improve profitability of the business apart from the organic growth.

Prerna Jhunjhunwala: So when do we see the profitability, the segment earnings profitability as per your plan of growth and unit economics becoming better? We just wanted to…

Ashish Dikshit: We've said several times, FY29 is the year where we expect TMRW to sort of come. Between '29 to '30 is when we believe that this business will become profitable.

Prerna Jhunjhunwala: And which brands currently are profitable, if any, and which will be the first ones to get profitable in your opinion?

Ashish Dikshit: So I think at a brand level, 2 out of 6 brands are already profitable. We will look to expand that portfolio. I really don't want to give individual brand level numbers. These are small brands at an overall level. So still most of the brands -- our big brands are between INR200 crores, INR300 crores. The smaller brands are INR100 crores -- around INR100 crores. So at a brand level, we are close to achieving profitability in most of the brands except two at this point of time.

It's the overall profitability which also includes the overheads outside the brands, which is the corporate overheads. We've built a capability at the center level on technology, on digital marketing, on sourcing and design. So it needs to come to a level where brand level profitability also adequately covers that, and that's why we're talking about '29, '30 as the year for it to come through.

Prerna Jhunjhunwala: Understood. Last question is on capex. What is the capex plan for this year and next year, and how it is split between stores and non-store expansions and expenses?

Jagdish Bajaj: Prerna, we have indicated approximately INR450 crores, including capex and the working capital needs of all our businesses this year.

Ashish Dikshit: So about INR300 plus crores is the capex.

Jagdish Bajaj: Capex, which will go into new stores plus our renovation stores of PT and others.

Moderator: The next question comes from the line of Aditya Soman with CLSA.

Aditya Soman: Sir, 2 questions. One, in premium ethnic wear brand, I see that obviously the growth for both Jaypore and Tasva is well ahead of the rest of ethnic. Is this just a function of the brands being relatively new and the stores being relatively new, or is there sort of a differentiation you are seeing in growth between the sort of mass and mid end and the premium end? That's one.

The second question on, we've seen several of your competitors launch their own sort of quick delivery initiatives. Is this something you're looking to do, or how has the response been for you if you're listing on any of the other platforms?

Ashish Dikshit: Aditya, Jaypore and Tasva are still very small in terms of its size, and while we are happy with the growth rate that they have, it's coming off a much smaller base that these businesses have. They're still in a growth phase, and therefore, those numbers at this point of time are looking much stronger than some of the mature businesses.

If you heard Jagdish's commentary, in some ways we are a company with a portfolio of businesses which are 20, 25 years old, strong businesses, but the growth rate has been modest versus multiple newer businesses or smaller businesses, either new or small, where growth rate is significantly higher. So I won't read anything more than that as far as that segment is concerned.

On your question of quick commerce, I think most of our current quick commerce efforts are around TMRW, where we are building capability at a central level for TMRW brands because we expect the younger customers to probably adapt quick commerce in fashion a little faster. There has been internal development. We're testing in some of the cities to figure out does the quick commerce also drives demand in that category, and we're finding some positive traction.

We also have to see the unit economics; how do we distribute inventory across multiple places. So this is something we're not going to rush into it. We are, of course, also participating with partner ecosystem, which exists, which is the third-party players in quick commerce.

It's much smaller in this segment outside TMRW brands, because most of the other brands are either more expensive or pure retail. Pantaloons and OWND at this point of time focus on physical retail, and therefore that part of the segment is not exploring quick commerce other than small partnerships that Pantaloons is testing. Most of it is in TMRW.

Moderator: The next question comes from the line of Parth Shah with Bernstein SG.

Parth Shah: Am I audible?

Ashish Dikshit: Yes, you are.

Parth Shah: Just wanted to check again on the input cost side. I think you mentioned there's a 4% inflation that you've seen, at least in some parts. So wanted to understand, do we see incremental effects occurring in 2Q or the second half of the year as well, or is this largely sort of already done for the overall portfolio?

Ashish Dikshit: No. In fact, quarter one has not seen much of the cost pressure, so most of it is likely to be in Q2 and Q3 at this point of time.

Parth Shah: Got it. We expect some pressure on margins there. You said you will most likely not be taking a lot of price increases as of now?

Ashish Dikshit: Yes. Yes, because the question is more on Pantaloons and OWND, which is value add to the business. We will have to absorb some of these increases.

Parth Shah: Got it. On the value end, like you said, you mentioned competitive intensity being pretty high as well. So wanted to understand, is this just there being more number of players? Is there more discounting happening right now because of sales being slower? And within that context also, if there is a difference you're seeing across larger cities versus tier 2 towns, anything on that you can share.

Ashish Dikshit: So I don't think I mentioned competitive intensity. I don't think it came up in previous questions. But yes, there are some multiple players, but then the size of the pie and the size of the market is significantly large in this space. So you will see multiple plays playing out over a period of time. Right now, we are very small with less than 100 stores in a potentially very, very large market. So we are more focused internally on getting our economics right at this point of time.

Parth Shah: Okay, got it. Just one last quick one. I probably missed this, but from TMRW, what was the store addition that we're expecting since you said that like would be around mid-teens, around 5% to 10% would be right, or any other number there?

Ashish Dikshit: Okay. Again, I don't know where TMRW's store addition. You're talking TMRW or some other brand?

Parth Shah: Yes. TMRW, I think you mentioned in the presentation that…

Ashish Dikshit: Okay. You're referring to the presentation.

Parth Shah: Channel has been doing well. Yes.

Ashish Dikshit: Yes. So we have close to 140 stores TMRW because we do want to convert these brands into truly omni-channel brands with large digital and online play but complement it with a reasonably small but meaningful offline play. This year, we expect to add 75 plus stores across the portfolio for TMRW brands.

Moderator: The next question comes from the line of Krunal Shah with Enam Asset Management. Please go ahead.

Krunal Shah: It's Krunal from Enam Investments. Thanks. Most of my questions have been answered. Just one question I have. In this Collective and Mono-Brand, how has the profitability behaved ex of the Galeries Lafayette investment?

Ashish Dikshit: It's a steady business. The profitability has been in mid-teens to high-teens. This quarter was relatively lower, so it's around mid-teens. But The Collective and the Mono-Brand business has been very steady in that sense.

Moderator: Ladies and gentlemen, that was the last question for today. On behalf of the management, we thank all the participants for joining us. In case of any further queries, you may get in touch with Mr. Amit Dwivedi. Thank you for joining us, and you may now disconnect your lines.