“Aditya Birla Fashion and Retail Limited

Second Quarter Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Second Quarter Earnings Conference Call of Aditya Birla Fashion and Retail Limited. The call will begin with a brief discussion by the company's management on the Q2 FY27 performance, followed by a question-and-answer session.

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 participants for taking valuable time to be with us.

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

With this, I hand the conference over to Mr. Jagdish Bajaj. Thank you, and over to you, sir.

Jagdish Bajaj: Thank you. Good evening, everyone. Thank you for joining us today. I would like to welcome you all to the Q2 FY27 earnings call of Aditya Birla Fashion and Retail Limited. Looking back at the quarter, demand trends remained broadly in line with the previous quarters. However, the Y-o-Y performance was influenced by the shift in festive calendar, including Pujo into Q3 this year, along with a subdued wedding season.

This led to a shift in the timing of consumer purchases, particularly across Pantaloons and our ethnic businesses, which together account for nearly 80% of our portfolio, thereby weighing on overall revenue growth and operating leverage during the quarter. It is, therefore, important to view Q2 performance in this context. Against this backdrop, we saw momentum across our businesses, with our emerging growth platforms gaining scale.

Now moving to the financial performance of the quarter, ABFRL closed Q2 with revenue of INR2,030 crores, registering 2% Y-o-Y growth. While the festive shift moderated growth in our larger businesses, our emerging businesses delivered a broader contribution to overall growth. Our ethnic portfolio, excluding TCNS, grew by 12%. Luxury delivered 11% growth, and TMRW grew by 10%. OWND continues its strong growth trajectory, recording 58% year-on-year growth, supported by the contribution from newer stores.

This growing contribution from our emerging businesses is an encouraging development and reinforces the growth potential of our portfolio. Pantaloons segment, on a festive-adjusted basis, delivered 10% Y-o-Y growth in Q2.

Moving to profitability, EBITDA for the quarter stood at INR67 crores. The decline was driven primarily by the shift in festive consumption to Q3, which impacted operating leverage during the quarter, the continued investment towards scaling our newer businesses.

While these factors impacted the profitability, focusing on profitable growth remains a key priority as we build scale across our businesses. Our efforts remain directed towards improving operating efficiencies, enhancing store productivity, and building a more profitable business over time.

Turning to our balance sheet, we closed Q2 with gross cash of INR 1,143 crores at the consolidated level and INR 628 crores at the standalone level, providing sufficient liquidity to support our business requirement. Historically, H2 has been stronger for us in terms of both revenue and profitability, and we expect this trend, along with the release of working capital following the festive inventory buildup, to support cash generation in the second half.

Coming to our retail network, we continue to expand our presence in a calibrated manner. During the quarter, we added 35 stores, taking total additions in the first half to over 80 stores. Our expansion strategy remains focused on building a more productive retail network across brands, formats, and markets. Our overall retail network now stands at 1,268 stores, spanning approximately 7.8 million square feet, compared to 1,190 stores and 7.5 million square feet a year ago.

Now let me take you through the performance of our individual businesses. Starting with Pantaloons segment, the reported performance of the Pantaloons format needs to be viewed in the context of the festive season moving into the third quarter this year. Adjusting for this calendar shift and 16 store closures, the business delivered approximately 6% Y-o-Y growth during Q2.

Our efforts to strengthen the Pantaloons proposition continue to progress, with greater freshness in merchandise, sharper assortment, and an enhanced customer experience. During the quarter, the brand conducted its festive marketing initiatives across important regional markets, helping strengthen brand visibility and customer engagements.

Our performance during Onam and Pujo has been particularly encouraging, with both festive periods delivering some of the strongest results we have seen in recent years, reinforcing our confidence in the momentum heading into H2. On the retail front, we continue to refine our store portfolio, adding stores in select high-potential catchments while exiting locations that were no longer aligned with our network strategy.

Turning to OWND, the business delivered a strong 58% Y-o-Y revenue growth. Supported by the scaling up of its retail network, the brand is making steady progress in strengthening its merchandise proposition and enhancing the overall store experience. At the end of the quarter, our retail network stood at 90 OWND stores and 387 Pantaloons stores.

Moving to our ethnic portfolio, the business reported revenue of INR 517 crores during the quarter, growing 2% Y-o-Y. Excluding TCNS, the portfolio delivered a healthy 12% growth. As you are aware, our ethnic portfolio comprised two distinct segments, designer-led brands and premium ethnic. Our designer-led portfolio business continued to deliver healthy double-digit revenue growth during Q2, supported by encouraging momentum across our brands.

We also continued to strengthen our retail presence through selective store additions while expanding the reach of our designer brands through international showcases and curated brand engagements. These initiatives are helping us build a wider consumer base and strengthen the positioning of our designer-led portfolio in the luxury and occasion wear space.

Coming to our premium ethnic brands, Tasva delivered double-digit revenue growth during the first half of the year, despite the shift in the festive calendar. The brand continues to strengthen its presence across key wedding markets, supported by a differentiated product offering that is resonating with all consumers. With a network of 92 stores, Tasva remains focused on gaining market share in men's occasion wear, supported by its growing brand visibility and improving consumer acceptance.

Turning to TCNS and Jaypore, while TCNS continued to face near-term challenges, we remain focused on driving its turnaround through sharper product offerings aligned with evolving consumer preferences and stronger, more productive retail network. Over the past 12 months, we have rationalized our network by closing approximately 60 underperforming stores, which has impacted revenue growth.

However, these changes are important to build a healthier business, with our focus now on restoring growth momentum, improving store productivity, and driving sustainable profitability. Jaypore also delivered a healthy quarter with a further reduction in losses, reflecting continued progress in strengthening the business.

Moving to luxury retail, the portfolio delivered a strong 20% growth in the first half of the year, continued momentum across The Collective and Mono Brands and Galeries Lafayette revenues. We remain focused on extending our luxury proposition through the introduction of newer international brands and delivering differentiated customer experiences.

Galeries Lafayette is steadily establishing itself as a distinctive luxury destination. Our focus is on deepening engagement with very important clients, building lasting customer relationships, and attracting luxury consumers from across India.

On TMRW, the business delivered 10% Y-o-Y revenue growth, increasing to 19% if we include WROGN.

Encouragingly, profitability improved year on year for the fourth consecutive quarter, reflecting continued progress in strengthening the operating performance of the business. Our focus remained on scaling the portfolio through sharper product offerings, category expansion, and a growing omnichannel presence, while maintaining a clear emphasis on improving profitability. Including WROGN, the network now spans over 150 EBOs.

To conclude, Q2 performance was influenced by the shift in festive and wedding-related consumption, while we witnessed momentum across the businesses. As we move into the second half of the financial year, the festive season has begun on a positive note, with early trends witnessing encouraging momentum in our businesses.

With festive and wedding-led demand expected to support business momentum, we remain confident of delivering a stronger H2, which has historically been a better period for us in terms of revenue, profitability, and cash generation. Our focus remaines firmly on driving profitable growth across the portfolio.

As our emerging businesses gain scale, we are placing greater emphasis on operating efficiency, store productivity, and disciplined investment to translate growth into sustainable profitability. With that, I would like to take this opportunity to wish everyone a very happy festive season. Thank you, and we are now open to take your questions.

Moderator: Thank you, Mr. Bajaj. We will now begin the question-and-answer session. Our first question comes from the line of Ashish Kanodia with Citi. Please go ahead.

Ashish Kanodia: Yes. Thank you all. Sir, my first question is around the festive season demand. If you can just highlight what kind of LFL you have seen on a festive-to-festive basis, right? Not on a Y-o-Y basis, but if you just look at the Diwali minus maybe 30 days, what kind of a growth you are seeing?

Ashish Dikshit: Ashish, you know our company is very diversified in terms of nature of businesses. I would say if you were to look at the most broad-based business, which is that of Pantaloons, as Jagdish spoke about it, both Onam and Pujo have seen one of the highest same-store growth. We are close to double digit in Pujo and even higher in Onam on a smaller basis. Subsequently, for rest of the country, to some extent, some parts of the country which affected by rain have pulled down a part of it, but it is between mid to high single digit across formats.

Ashish Kanodia: And Ashish, maybe just when you say, whether it is a double digit or a high single digit, these are like-for-like in terms of festive to festive, right?

Ashish Dikshit: Yes, I am speaking of only like-to-like numbers, same store.

Ashish Kanodia: No, no, same store comparison and also for the festive to festive season period, right?

Ashish Dikshit: Yes, yes. Festive - 30 days, festive - 45 days as we measure.

Ashish Kanodia: Got it. And second question is more around balance sheet and cash flow. Now, if I look at the net debt position, as of April 1, 2027, it's almost, net debt is almost INR1,200 crores. You had on a net cash a year back of INR430 crores. And when I look at pre-Ind AS EBITDA, it's still in the negative territory. So, when you look at the next 18, 24 months in terms of the way you're planning to expand business, the capex plan, how should we look at the balance sheet position in the next 24 months?

Ashish Dikshit: So, I think as we had mentioned, our full year cash flow guidance which we had given, which was about ending this year with about INR400 crores to INR500 crores. We are at this point of time at a standalone level, and I'm talking of standalone, Ashish, at this point of time. We are roughly around INR350-odd crores cash balance at standalone level.

We expect to improve that marginally in the second half to achieve a similar number by the end of the year. There are a lot of subsidiaries. Some of them have cash, some of them have ability to raise debt on themselves. And we had said that next year we'll need another INR500 crores. So, at standalone level, we'll have to take perhaps INR150 crores, INR200 odd crores. That's the visibility I can give till 2028.

Ashish Kanodia: So, this INR500 crores raise, that will basically be under TMRW, right?

Ashish Dikshit: No, no. I am not talking raise. I am talking about a standalone net cash balance for the standalone entity.

Ashish Kanodia: Sure.

Ashish Dikshit: Which is TMRW without ethnic subsidiaries, etcetera. Because TMRW currently has cash sitting on it. We will, as we have mentioned, raise capital in TMRW either end of this year or early next year. That would be for funding TMRW itself. Similarly, many of our entities in ethnic wear, the designer-led entities have ability to raise their own debt. So, their growth will be funded through their own cash flows or their own balance sheet. Therefore, I am pulling out the standalone cash situation.

Jagdish Bajaj: Ashish, to add what Ashish has said, in Q4, we guided that I will make investment of roughly INR600 crores in FY27, and then I will end up with around INR500 crores cash. In H1, if you see, we have consumed around INR700 crores. But H2 for me is always good in terms of cash generation, etcetera. So, that is what Ashish is saying that we are still targeting that we will have adequate cash available with us for FY 2028. At worst, we may be short by INR100 crores to INR150 crores.

Ashish Kanodia: I get your point about Ashish and Jagdish. The point is, we are looking at consol level because as you rightly said, you have multiple subsidiaries.

Ashish Dikshit: At consol level, I think then you will have to add back the potential fundraises. TMRW being the first prime example, which we expect to raise capital there, as I said, in next 12 months. The extent of fundraise is still being evaluated, but it could be between $100 million to $150 million. Each of the subsidiaries have ability to either raise debt on the balance sheet based on their strength, or if required, we will look at fundraise maybe two years from now in some other entity as well.

Ashish Kanodia: Yes, sure. Got it. Thank you. That is all from my side. Thank you.

Moderator: Thank you. Our next question comes from the line of Garima Mishra with Kotak Securities. Please go ahead.

Garima Mishra: Hi. Thank you so much for the opportunity. My first question is on Pantaloons and quarterly variations aside, right? Let's say for FY 2028, what is the kind of revenue growth and pre-Ind AS margin improvement that we are anticipating? We have talked about these merchandise changes, format sharpening, etcetera, in Pantaloons for some time now. Have these panned out per expectations, and what incremental changes should we expect in, let's say, the next two, three quarters?

Ashish Dikshit: Garima, thank you for the question. I'll get Suraj to talk about it. He's recently taken charge of the business, and some of the early results that we have got in the early festive period. Maybe Suraj, if you can speak through Onam, Pujo, what you've seen through Diwali. Just to give a

sense of, this is not an outlook for either the next quarter or for the full year, but Garima, would give you a sense of your question on how the new strategy is playing out.

Suraj Bahirwani: Hi, Garima. This is Suraj here. We've actually seen some very strong green shoots in the recent festivals that have happened, let's say Onam in Kerala, where we've seen solid double-digit like-to-like growth. Pujo, which has just concluded, also ended with a double-digit like-to-like growth, which is one of also our ever-highest Pujos that we have ever experienced. This is on the back of actually the new format, the new merchandise that has come into play.

One heartening thing in Pujo was that we've seen a double-digit growth in customer entry as well, and that is validation for the changes in merchandise and changes in the store experience that is coming through. As Ashish mentioned in the earlier, answering the earlier question as well, festive has been encouraging for us. As on till yesterday also, I think it's mid to high single digit. Of course, this weekend and Diwali is just around the corner. We'll get a better sense after that. Very encouraging signs, Garima.

Ashish Dikshit: On your other question, Garima Mishra, regarding growth projections for next couple of years. As you know, we have spent much of last two years sort of revisiting strategy, consolidating network in line with that strategy. Now that we are beginning to see signs of this strategy playing out little better, our expansion in general perhaps start from next year. At this point of time, it will be probably only double-digit growth, but we look to expand little faster as we get into '28 and '29.

Suraj Bahirwani: Garima?

Moderator: Garima, does that answer your question?

Garima Mishra: Yes, Yes. It does. I also have a follow-up question. Hello? Am I audible?

Suraj Bahirwani: Yes, you're audible.

Ashish Dikshit: Go ahead.

Garima Mishra: All right. Okay. The follow-up question is on the overall liquidity situation and how some of the subsidiaries are. Ashish, do you think with the financial performance of the various moving parts of the business that you have, you may have to actually contemplate some kind of consolidation or figuring out whether you need to divest something to essentially strengthen the overall portfolio and the financial health?

Ashish Dikshit: Garima, we keep looking at our portfolio. As you know, we have added multiple new businesses over last four or five years, whether the entire ethnic portfolio, launch of new brands in ethnic, TMRW business, OWND business, Galeries Lafayette. At all ends of our portfolio, we have had significant addition, not to talk about even TCNS, which is a great addition we have done.

Now, obviously, at this point of time, as we, in response to Ashish's question, I was talking about our cash flow situation. We believe as we speak now, I think our largest need would be in TMRW, which is a substantial part of our cash flow, sort of where cash has been going in last

couple of years. We will need to raise capital there close to INR1,000 crores or probably little more, little less. That would ease some of the pressures.

On rest of the business, we continue to remain keen that we try and manage these businesses through the capital that is available, pursuing growth where it is turning around more aggressively, like in Pantaloons, and perhaps being more watchful in the businesses where the turnaround has not been as visible or as quick in those parts. We will manage with that, and that will be our endeavor for next FY28, at the end of which we will look at where we stand, and we will take a fresh look at the strategy.

Garima Mishra: All right. Thank you so much.

Ashish Dikshit: Thank you.

Moderator: Thank you. Our next question comes from the line of Abhijeet Kundu with Antique Stock Broking. Please go ahead.

Abhijeet Kundu: Hi. Thanks for the opportunity. One question was on what would be the store additions that you are looking at in Pantaloons during the year, the rest of the year or the full year? Also, when we had visited Pantaloons stores, we had interacted, we generally understood that a lot of focus is now given on digitization, RFID-enabled inventory and all we are working on. So how is that helping?

Also, we understood that there is a lot of focus on the Gen Z customers. So what is happening there? When I look at, in terms of category mix, what do we expect? Do we expect that women's western wear, the contribution of women's western wear would grow over a period of time? Where is the focus overall in women's western wear versus ethnic?

Ashish Dikshit: I'll start with, and then Suraj can add to lots of questions, but let me take a shot at it. I think as far as total net addition is concerned, this year, on a full-year basis, we may not see a significant change because as you can make out in the first half itself, we have shut down close to 16, 17 stores. On a full-year basis, maybe close to 20 stores.

We are opening similar number of stores, about 20, 22. These are, of course, higher quality, new retail identity, better stores, and in most cases, slightly larger, in line with our overall direction. But this year, therefore, you will not be able to see a significant net increase in addition. It will be marginal few stores here and there.

Abhijeet Kundu: Sure. Okay, sir.

Ashish Dikshit: Yes, sorry. As far as digitization efforts, the category to focus on, and Gen Z consumers, I'll request Suraj to talk about each of these shifts that we're doing.

Suraj Bahirwani: Hi, Abhijeet. So I'll just go through your questions one by one. So on the digitization efforts, the RFID is actually playing out very strongly in our stores. It's primarily one of the reasons why you also see some of these big shifts that we've seen in our like-to-like growth in the recent Onam and Pujo.

Just to give you an example, in that we are seeing is on account of replenishment. Today, the way we are able to replenish thanks to the RFID has enabled us to really, really crash the timelines on replenishing what is getting sold much faster to the stores. So that's just one example. But the other big is the newer stores that we've launched, including the very recent renovated stores in Malad and in Kurla.

You would see a larger proportion of self-checkouts, and that's one of the other ways to go to improve consumer experience. There are multiple such initiatives on digitization that are coming into play. To your next question on category, well, I think we would, obviously, our category strategy would mirror the changing consumer preferences.

Today, clearly, the shift is largely on women's western and more on the fusion wear, and that's where you will see Pantaloons' merchandise also evolving towards. Should the consumer, the preferences of consumers change in the coming years, then obviously we will need to ensure that our merchandise strategy also follows the same. So, right now, of course, women's western and fusion seems to be the flavor of the season with the consumers, and you will see a larger proportion of our mix also coming from that.

Finally, how to attract Gen Z, I mean, while we are not aggressively going behind Gen Z, it's the young adults that Pantaloons' core customer continues. Having said that, I think all our social media communications, etcetera, all are towards, apart from the merchandise, of course, which appeals to the young adults, even our social media handling, if you would have seen in the recent part, has significantly evolved and changed, keeping in mind the sensibilities of the young adult. So those are the changes that we are making in our strategy, Abhijeet.

Abhijeet Kundu: Yes, thanks. That's it from my side.

Suraj Bahirwani: Thank you.

Moderator: Thank you. The next question comes from the line of Archana Menon with Morgan Stanley. Please go ahead.

Archana Menon: Thanks, team, for the opportunity. Actually, my first question was on TCNS. I just want to understand the TCNS performance a little better. So similar to what you had done for Pantaloons, which is adjusted for the festive shift, if you could share some numbers as to what that growth was.

Also, if you can just help us understand, is there any, like the last quarter, we've spoken about an impact of higher inventory liquidation in the base. So is there something like that even this time? And how do we just think about TCNS growth from here on? That was my first question.

Ashish Dikshit: Yes. Yes. Actually, TCNS growth has been lagging the numbers that Pantaloons has been delivering. TCNS has been marginally to low single-digit same-store growth in the festive period at this point of time, which is about 500-600 basis points below where Pantaloons is operating.

Overall, I think ethnic system between TCNS brands and the designer portfolio is also more affected by shift in festival, because they're more festival-related to some extent. Therefore, that's

creating this. As far as the correction on old inventory, I think the base is more or less done. There is still continuing part of it. I don't think it's as significant as it was last year, but that continues to remain, and that's why gross margins, some part of it we have to take in gross margins.

To that extent, we have still not got to a point where the share of fresh is fully reflective of entire gross margin of the business. That's your second question. As far as therefore overall growth in TCNS continues to be below our expectation, this quarter is negative and an overall level, and marginally positive, just low single digit as far as like-to-like is concerned.

We'll have to wait and watch the rest of the festive period, including till this quarter 3, to figure out what the annual picture is looking like. But at this point of time, in H1, at an overall level, we've been negative, overall picture, as well as last year was also marginally low. So this is a business where we haven't got to a stage where we can start growing the portfolio. It continues to remain under pressure, and some of it is internal and some of it is market-related with the headwinds that ethnic wear business is experiencing.

Archana Menon: Understood. Thank you for that. My second question was on Pantaloons and on the inflation impact. If you could just call out what is the current inflation that you're facing for Pantaloons, and what is the level of price hike that you and the industry would have taken in general?

Ashish Dikshit: Price hikes, the cost inflation, as we said, spread over multiple quarters. We don't feel the whole impact in one shot because some part of the products have been bought before the increase was fully effective, and it's been more fluctuating.

But overall, if I were to look at, it's been about 4%-5% kind of cost inflation that the businesses experience. A part of it we have been able to pass on, but not fully in case of Pantaloons. Therefore, there is about 100 basis point gross margin impact that we will experience in the full-blown scenario, which is when the entire cost inflation is played out.

Archana Menon: Got it. On the debt side, I just wanted to ensure I had my numbers right. On the standalone basis, you started the year with a gross cash of INR1,100 crores. Should we be thinking of ending there at close to INR300 crores-INR350 crores?

Ashish Dikshit: Yes. INR350 crores-INR400 crores is what Jagdish had said. That's about it.

Archana Menon: Okay. Thank you so much.

Ashish Dikshit: Thank you.

Moderator: Thank you. Our next question comes from the line of Kunal Bhatia with Dalal & Broacha. Please go ahead.

Kunal Bhatia: Oh, Yes. Hi, sir. Thanks for the opportunity. Just one clarification. You mentioned the capex which we have done for the first half is around INR200 crores, because that is what is seen in the cash flow. I just got confused, you mentioned INR300 crores.

Ashish Dikshit: No, no. INR300 was the number for the full year. There was a question regarding full year cash flow. So INR300 is projected for full year, INR200 is what we have spent so far. Yes.

Kunal Bhatia: Thanks. Secondly, Yes, I understand about the festive shift, but that is a phenomena for the entire industry as well. However, one saw even the competition delivering slightly better numbers. Taking this point basically for Pantaloons, even in the festive period, you mentioned about a mid- to high-single digit kind of growth, which has come in. Internally, how satisfied or how has been against your projection as far as the growth is concerned? Because even this kind of growth seems to be a bit concerning, if you could throw some light on that.

Ashish Dikshit: Two parts. One is, this is like-to-like growth, because the question was on like-to-like growth.

Kunal Bhatia: Right.

Ashish Dikshit: And these are, I would say, these growth numbers are one of the better ones in the industry, or at least at par with where the best in the industry would be. Overall growth, however, is much lower, primarily because we have not added much to the distribution. Many of the industry players have expanded their network much faster, and to that extent, the overall growth looks higher there. But we are happy with the organic growth that we are getting right now. I think at some stage, we will have to shift to accelerating expansion, which we haven't achieved so far.

Kunal Bhatia: All right. So, sir, how soon are you planning to have that kind of an aggression in terms of the distribution side, so that we get to a higher double-digit kind of growth going forward? I just wanted to know your thought process, not immediately, but if you could talk about the next two to three-year period.

Ashish Dikshit: I think FY 2028, as I had mentioned in the previous question, I think Abhijeet's question, that FY 2028 onwards is when we start to really add 30 to 40 new stores. Last couple of years, we have been adding 15 to 20 stores, but because there's also been rationalization, effective net store addition has not been much. If anything, it's been somewhat negative over the last couple of years.

So that trajectory will shift because we are waiting for the strategy to play out, for organic performance to improve before we start expanding. Therefore, FY 2028 onwards, you will start to see that trajectory shifting. I think that's when you will start to see, I can't say high double digit, but definitely first we will need to start achieving early double-digit growth.

Kunal Bhatia: And, sir, how much of your rationalization process is still remaining, or we are done with the rationalization process?

Ashish Dikshit: I think the big parts are done. There is always a shift in location, a new mall coming up, more attractive opportunities, and some stores where tenure gets over. A small part will continue to have it, but I think we've gone past the phase where a net addition was not happening because the closures and additions were sort of netting them off, both due to closures and equally due to smaller additions. I think that's shifting. Next year onwards, you'll start to see more addition and very marginal closures that will continue to happen in this business.

Kunal Bhatia: Okay. Sir, just a final question from my side. Sir, you mentioned a 100 basis point impact could still come in on account of inflation. How soon will that come into the numbers?

Ashish Dikshit: Some of it is already there. As I said, these products are not bought one shot at one point of time.

Kunal Bhatia: Right.

Ashish Dikshit: They're spread across a period of time. Some of it is already visible in our Q2, and will continue to flow through Q3 and Q4.

Kunal Bhatia: Okay. Thank you so much, sir. And wish you a very Happy Diwali.

Ashish Dikshit: Thank you. Very Happy Diwali to all of you.

Moderator: Thank you. Our next question comes from the line of Parth Shah with Bernstein SG. Please go ahead.

Parth Shah: Hi, thanks for taking my question. Just confirming, am I audible?

Moderator: Yes.

Parth Shah: Yes, thanks. The first question on the broader margin front, but more specifically on Pantaloons. You mentioned there is obviously been structurally costs going up on the employee and rental front as well, and there has been an additional impact of deleverage. Could you help break that down a little bit? What is the impact that we are seeing structurally, and once we see the festive quarters sort of stabilizing, and Pantaloons also, the network rationalization stabilizing, what kind of margins do we aim to go for?

Ashish Dikshit: We had indicated, we have been delivering close to 18% post-Ind AS EBITDA margins for Pantaloons pretty consistently. Despite some of the material cost increases, I think store throughput productivity improvements have created opportunity for us to stay at this level or do slightly better than that in the short term. As we go forward over the next couple of years, our aspiration is to get past 20%, which is 200 - 300 basis points above where we are today currently.

Parth Shah: Yes. Just to follow up, for the next couple of quarters, do we see these cost inflations impacting margins again, or is that something we should be able to recover?

Ashish Dikshit: I think in the short term, because we are also delivering strong organic growth, which is same store performance, so it is potentially offsetting some of the increases that are coming. Hopefully next quarter or two, those factors will play each other out. Subsequently, when the cost side sort of normalizes, we expect the margins to start increasing from next year onwards.

Parth Shah: Got it. My second question was on the depreciation side. At a consol level, we are seeing, I think, around 14% increase in depreciation levels, and I understand that includes the rentals as well. But overall stores are up only about 6%, 6.5% Y-o-Y, net basis. How do we read into this, and what kind of levels do we see in terms of depreciation?

Jagdish Bajaj: Parth, the Ind AS impact on depreciation is primarily on account of new store additions. That is number one. Number two, the new leases we sign, and the impact of that also is factored into. Number three is renewal of the existing leases. If we renew them with inflation factored into, that cost is also part of that.

Ashish Dikshit: Also, the stores that we are adding,

Jagdish Bajaj: Yes

Ashish Dikshit: While in numbers they may be neutralizing each other, are significantly bigger than the stores that we are closing.

Parth Shah: Got it. A last one, if I may, on TCNS. We have seen good growth on the designer-led ethnic side, despite the festival shift. Is there a larger impact of the festival shift on TCNS brands, and how do we read through that on the ethnic portfolio?

Ashish Dikshit: No, I would say, in fact, on the other hand, designers have a fairly large portion of sales which comes in the second half, both festive as well as weddings, which is largely loaded. In comparison to the designer-led brands, I think TCNS performance had been somewhat subdued and not to the level that we would have liked to get to. Therefore, it is more underperformance and less seasonality.

See, by seasonality, TCNS is actually a little bit more even. Of course, it has a festive peak like all other categories have, and ethnic particularly is related more to festive period. But the designer-led brands have a very high second half basis, to the extent almost less than a third or sometimes a third of the business happens in first half and two-thirds happens second half. TCNS is a little bit more even, so current performance is more a performance issue and less the seasonality issue.

Parth Shah: Got it. Thanks for taking my question, and wishing you a Happy Diwali.

Ashish Dikshit: Happy Diwali, Parth.

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