



November 18, 2024

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Sub.: Transcript of Q2 FY 25 Earnings Call of the Company

Ref.: 1. Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
2. Our intimation dated October 30, 2024

Dear Sir/ Madam,

Pursuant to the above referred, the transcript of the Q2 FY 25 Earnings Call held on November 8, 2024 is annexed herewith.

The above details along with the audio recordings of the Earnings Call are also available on the website of the Company i.e., www.abfrl.com.

Thanking you,

Sincerely,
For **Aditya Birla Fashion and Retail Limited**

Anil Malik
President & Company Secretary

Encl: a/a

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**“Aditya Birla Fashion & Retail Limited Q2 FY '25
Earnings Conference Call”
November 08, 2024**



**MANAGEMENT: MR. ASHISH DIKSHIT – MANAGING DIRECTOR,
ADITYA BIRLA FASHION AND RETAIL LIMITED
MR. JAGDISH BAJAJ – CHIEF FINANCIAL OFFICER,
ADITYA BIRLA FASHION AND RETAIL LIMITED
MR. VISHAK KUMAR – DIRECTOR AND CHIEF
EXECUTIVE OFFICER, LIFESTYLE BUSINESS, ADITYA
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MRS. SANGEETA TANWANI – DIRECTOR AND CHIEF
EXECUTIVE OFFICER, PANTALOONS**



*Aditya Birla Fashion & Retail Limited
November 08, 2024*

Moderator:

Ladies and gentlemen, good day, and welcome to the Second Quarter Earnings Conference Call of Aditya Birla Fashion & Retail Limited.

The call will begin with a brief discussion by Company's Management on the Q2 FY '25 performance, followed by a question-and-answer session.

We have with us today Mr. Ashish Dikshit – Managing Director; Mr. Jagdish Bajaj, CFO; Mr. Vishak Kumar – Director and CEO, Lifestyle Business; and 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 question for the quarter's 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 afternoon and welcome to the Q2 FY '25 Earnings Call of our Company. At the onset, let me wish you a very Happy Festive Season and a Prosperous Year ahead. I will first take the opportunity to set the context in view of the "Operating Environment" during the quarter.

This quarter, the overall demand environment continued to remain subdued, consistent with trends observed in previous quarters. However, there were some positive indicators, primarily driven by festive spending and an increase in wedding-related shopping activities as we approach the wedding season for this year. These positive optics are in line with the trend we have been seeing over past many quarters where occasion-led shopping drive sales favorably impacting sales for certain categories. We expect improved conditions in the second half of the year.

Amidst this, we maintain our focus on executing the plan we had set out for this year where we drove good quality sales, rationalized less productive channels and markets, and consistently drove margin improvement. As you would have seen, the business has consistently improved the margin profile year-on-year for last three quarters. While the larger business reported an improvement in profitability, the smaller and rapidly growing businesses such as Ethnic and TMRW maintained a range bound losses, though, improving on margins on Y-o-Y basis on a much higher scale.

The profitability improvement was mainly driven through better planning, product enhancements, stringent markdown management and deprioritizing poor-quality channels. Each of our brands reported positive like-to-like growth this quarter. Also not worthy to mention that

our sustained efforts towards improving our planning and merchandising process, and our tight inventory control, led to a marked improvement in our working capital profile, leading to better capital efficiency.

Let me also give an Update on the “Corporate Actions:”

The last step in the acquisition of TCNS has been successfully completed and TCNS has been fully amalgamated with ABFRL from 1st September 2024. Hence, the results are consolidated considering TCNS as a division. On the parallel, demerger process, the Company has completed the first step when it received NOC's of the demerger proposal from stock exchanges. The application has been filed with the National Company Law Tribunal as the second step, and we will now go through the process as prescribed by the Honorable Tribunal. We expect to complete the demerger process before the end of this financial year.

Coming to the “Financial Performance” of our Company for Q2 FY '25:

Our Company delivered consolidated revenue of Rs. 3,644 crores in this quarter, growing 13% over Q2 FY '24. Consolidated EBITDA stood at Rs. 410 crores, growing 11% Y-o-Y in absolute terms, with 11.2% margin. This includes the TCNS business this quarter, which was not there in the base last year. Our established businesses continue to drive delivery of robust margins, while high growth segments like Ethnic and TMRW achieved substantial revenue increases with marked improvement in margins.

Let me explain to you the exceptional items appearing in this Quarterly Result:

First, Company has decided to restructure the operations of Forever 21, taking a one-time hit of Rs. 98 crores towards impairment. The same has been reported as an exceptional item. Secondly, the Company increased stake in Tarun Tahiliani couture business from 33.5% to 51%, resulting into one-time upward revision of its holding value on account of mark-to-market evaluation of historical stake to the tune of Rs. 121 crores. Adjusted for these two items, the net gain in exceptional items in the P&L is Rs. 23 crores.

The Company's consolidate PAT was negative Rs. 215 crores, impacted on account of higher depreciation, amortization of brand and retail assets due to inclusion of TCNS this quarter, along with elevated interest cost on higher borrowing. In H1, our Company recorded consolidated revenue of Rs. 7,072 crores, growing 10% over H1 FY '24. Consolidated EBITDA was Rs. 816 crores, growing 13% Y-o-Y in absolute terms, with 11.5% margin. The net debt on 30th September stood at Rs. 3,759 crores. As on 30th September, '24, our store network stands at 4,538 stores, spanning across a total retail area of 12 million square feet.

I will now take you through the “Performance” of individual businesses:

Starting with proposed ABLBL segment:

The segment in Q2 FY '25 posted revenue of Rs. 1,975 crores, with EBITDA of Rs. 302 crores. The EBITDA margin stood at 15.3% for the segment. First, Lifestyle brand grew 3% Y-o-Y to a revenue of Rs. 1,636 crores in Q2 FY '25, with an EBITDA margin of 18.4%. Retail like-to-like growth for the brand stood at 3.4%, primarily impacted by lower demand in smaller markets.

Continued focus on product innovation, casualization and markdown management, combined with elevated retail experience and consumer insights, supported profitable growth. Emerging growth businesses which include youth, western wear, innerwear and athleisure, and sportswear segment posted 7% growth at an overall level, with the segment posting another quarter of positive EBITDA.

Now, let us discuss the demerged ABFRL segment:

This segment has grown by 31% to Rs. 1,838 crores in Q2 FY '25, validating our portfolio expansion strategy to build meaningful size businesses in large consumer spaces of the future. EBITDA for the segment grew by 66% with margin expanding by 170 basis points to reach 8.1% this quarter. All businesses within this segment grew well, with profitability improvement across each of them.

Let me start with Pantaloons:

Pantaloons delivered yet another quarter of significantly improved profitability. The business model improvement initiatives, which have been mainly around focus on key markets, improved product propositions and retail experience, and better planning and merchandising are reflected in improved financials. It recorded revenue of Rs. 1,082 crores, growing 3% Y-o-Year, with a like-to-like growth of 1.3%. EBITDA margin expanded by notable 560 basis points to reach 15%. In absolute terms, it delivered EBITDA of Rs. 162 crores, a 65% increase Y-o-Y.

Enhanced operational efficiency, coupled with trend driven offerings and refined aesthetics, has enabled us to achieve high sale through rates, which has driven growth and profitability. Our Style Up retail format has now scaled to 35 stores and is receiving strong consumer traction. The business has already started to deliver store-level profitability across the current network. Based on this success, we plan to accelerate store opening in the coming years.

Then the Ethnic business:

Overall portfolio grew more than 3x versus last year to reach Rs. 454 crores, primarily led by the inclusion of TCNS and Tarun Tahiliani couture business. Organic growth of existing businesses stood at a healthy 10%, with EBITDA margins improving significantly. Designer-led brands portfolio, which includes Sabyasachi, Shantnu & Nikhil, House of Masaba, and Tarun Tahiliani grew by 32% on Y-o-Y basis.

House of Masaba more than doubled its revenue, within which its beauty brands, Lovechild grew to 10x of last year. With Tarun Tahiliani couture, our already comprehensive Ethnic portfolio is further strengthened, as another marquee luxury ethnic brand gets added to our portfolio. Premium ethnicwear brands including Tasva, Jaypore and the TCNS portfolio delivered robust overall like-to-like growth rates. The TCNS brands recorded a solid 13% growth with a 3% like-for-like increase, marking the third consecutive quarter of positive L2L growth. This has been achieved with significant product upgrade, harnessing synergy benefits with larger ABFRL, and focusing on retail productivity.

As far as wedding related consumption is concerned, the first half of this year has been fairly muted. With the onset of festive and advanced purchase of wedding-related category the end of the quarter saw encouraging demand for Tasva, which achieved remarkable year-on-year growth of 79%. We expect this momentum to continue as the rest of the wedding season plays out during H2 of this fiscal. Luxury retail comprising the multi-brand format, the Collective, and other mono brands maintained profitable growth. With a Y-o-Y revenue increase of 9%, the total network now encompasses 40 stores.

Coming to our digital brand portfolio of TMRW:

TMRW portfolio more than doubled compared to last year with the inclusion of TIGC. Aside inorganic growth, the portfolio organically also grew by (+30%). With a portfolio of brands targeted at the Zen-G and Millennials, TMRW adds freshness to the ABFRL portfolio, and gives the scale to its relevance for the Gen-Z and millennium customer base, which will be one of the most important consumption segment in this country.

To conclude:

Despite a challenging demand environment, our Company has demonstrated resilience and strategic agility, achieving notable growth across various segments. The successful integration of TCNS and the expansion of our new businesses have announced our brand portfolio. Our focus on operational efficiency, product innovation, and customer experience has yielded positive results, as evidenced by the robust performance in both established and emerging businesses.

As we look ahead, we are encouraged by the response during this festive, and are very optimistic for the upcoming wedding season, which for a premium brand portfolio like ours would be significant. We plan to sustain the impetus on each of the initiatives we have been running to drive operational efficiencies to consistently improve the business outcome.

As the second-half of the fiscal unfolds itself, with most of our stabilized actions already executed well, we will be very favorably placed to reinvigorate our growth channels to pick up the momentum, with tailwinds from broader market improvement during the rest of the year,



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we wish to accelerate the pace of execution of our long-term strategy of building a leadership play in most of the large, recreational consumption segment in Indian fashion industry.

We are open to questions now. Thank you.

Moderator: Thank you, Mr. Bajaj. We will now begin the question-and-answer session. The first question is from the line of Gaurav Jogani from JM Financials. Please go ahead.

Gaurav Jogani: Sir, my first question is with regards to the demand conditions, how have they been running into this first month of October and the festive season for both the brands, that is Pantaloons as well as the Lifestyle brand? So, that is the first question answer. The sir, the second question also is with regards to, post the demerger between ABLBL and ABFRL, how do you plan to scale up things in the ABFRL piece of business given that that business will have a certain amount of debt? So, how the growth will be planned in that piece of the business, if you can answer that, that will be helpful.

Ashish Dikshit: Thanks. I will get Vishak and Sangeeta to respond to the overall market conditions. Vishak, can you come in?

Vishak Kumar: Hi, Gaurav. So, far we have had a decent start. I do not want to jinx it, but a decent start to Diwali. And what is important is the combination of wedding shopping as well as Diwali shopping that you have got. We still have to watch out how it pans out during November, December. And the good news is, there are a lot of wedding dates through this period, so I do believe that it should be a decent quarter in that sense, at least for our brand.

Sangeeta Tanwani: So, very, very similar for us, Gaurav. I think festive, we had a good start just about closing. And I think it's like a mid-single-digit performance in terms of growth. Of course, the market conditions overall have been tough, but we have had an encouraging festive.

Gaurav Jogani: Just one thing, we have been hearing from eastern based players that while the Pujo has been good, but the Pujo has not been that great as per the expectations, at least for them. So, is it similar for you, too?

Sangeeta Tanwani: So, I will come in again. So, Pujo, as you know, is a very important period, especially for Pantaloons because east is a very important market for us. And we have had a low-single-digit Pujo. I think largely there were two or three external factors which disrupted the demand, the local protests that continued through Pujo, the fact that certain markets saw unprecedented rain, the disruptions in Bangladesh, there is a lot of purchase from customers who come in from Bangladesh during Pujo period. All of these factors actually impacted demand. But through that period we saw some disruption in Calcutta, but very encouraging to see those markets which behaved in a near normal fashion in terms of no disruptions, we in fact saw a very good high-single-digit growth in those markets. So, the rest of West Bengal, for example, did extremely



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well. The other markets in east did very well for us. So, I think it's a combination of disruptions that we saw in Calcutta, but very good performance in the rest of the market.

Ashish Dikshit:

Gaurav, to your other question regarding how do we fund the growth of the demerged ABFRL, which will have a fair share of debt post separation. At the time of the demerger announcement, the Board had also approved a fundraiser exercise. And as we go forward, at an appropriate time we would look to raise capital, which we had announced even at the time of demerger itself. We wanted to look at how the merger process is going and then time the fundraise. So, we will do that and we will fund it adequately to sort of drive the growth of the high growth segments that exist in the demerged ABFRL.

Gaurav Jogani:

Sorry, I will just rephrase my question. I mean, though we are aware of the fundraise planning that you have, will that in any way impact your growth plans what you have right now versus what you would have post this fundraise? I mean, would there be a more curtailed and more, I would say, more profitable focus manner as it is right now? Or would we continue to be aggressive in terms of growth there?

Ashish Dikshit:

I think there is some inherent dilemma in your mind about growth and profitability choices that we are making. We are quite clear that over the last four or five years we have expanded our portfolio very strategically with long term consumption segments which are meaningful for our business. And that's the portfolio expansion exercise. As far as profitability is concerned, it will remain a very large focus for us. In many parts of the business we recognize that we have some way to go, and our major businesses it's already in good place. In line with our long term strategy, I think lot of growth businesses, and very high growth businesses would need capital, there is also debt sitting on it. And therefore, that's the reason for the fundraise. In short term or longer term, I do not think our strategy is changing.

The only part we have said is, our strategic acquisition piece is now over, that phase which we went through between 2020 to 2024 where we entered many new emerging segments, the entire digital portfolio got created of TMRW, we acquired rights of Reebok, built the entire portfolio of ethnic wear business in a short period of time to become largest ethnic wear Company in the country with very, very iconic brands in the portfolio. So, that is a phase of portfolio expansion with a very long-term strategic outlook on where the consumers of TMRW will be. I think once we have completed that exercise, the next phase of capital is growing these businesses.

Moderator:

Thank you. The next question is from the line of Nihal from Ambit Capital. Please go ahead.

Nihal:

I had two questions. One was, in Pantaloons, obviously, we have highlighted that lower markdowns lead to an improvement in the margin profile. Just in the case of Lifestyle brand, despite the positive LTL, was it a step-up in marketing spends or maybe a channel shift which has led to say margins being flat or slightly lower?

Vishak Kumar: Two, three factors, Nihal. First is, we kept discounts very, very tight, and we were able to squeeze out significant amounts on discounts. We were able to create superior product cost engineering solutions as well, which gave us gain. There was an overall cost improvement drive across the system which gave us benefits. And of course, some amount of network rationalization also we did which also further improved overall profitability situation. So, these were the key pieces, Nihal.

Nihal: Absolutely sir. Vishak, but the thing is that maybe on a Y-o-Y basis the margins have been flat or slightly lower for the Lifestyle brand, so that is where I was just coming from that why was that the case?

Vishak Kumar: Specifically, Nihal, last year same quarter we had a one-off gain, so that had an impact. JB can probably quantify that. But we had a one-off gain last year which we did not have this year, which should have impacted margins. Second, we are going through a situation with Centro where they are scaling down their business, so we had almost zero business with Centro's last quarter. They have been a very large trading partner for us in the past, so that also impacted our overall business in Q2.

Nihal: And that explains the wholesale contraction?

Vishak Kumar: That's right. A significant part of, it's been a Big Four partner for us in that sense, so it made a big impact.

Nihal: Maybe later if you could clarify on that one-off or I will take it separately. The second question was on the debt part, currently we are at Rs. 3,800 crores on this, and this is a build-up because of festive. Just to understand, say by the time we reach Q4, we will have the planned Rs. 2,500 crores QIP, we will obviously have, I think, around Rs. 1,000 crores left for ABLBL. So, what is the planned debt with which, say, the new entity will start after the QIP? If you could give a ballpark sense. And would the size of expansion that you are targeting be significant in terms of the CAPEX outflow, or overall CAPEX and working capital outflow?

Ashish Dikshit: So, Nihal, at this stage, unless the Board has formally approved a fundraiser, I would not be able to comment on it. But I would therefore speak of the debt from operating performance point of view. As you know second half of the year is where the retail sales picks up and much of our portfolio is also heavily skewed towards wedding and festival related periods, while all of the fashion industry like that are portfolio is particularly more heavily skewed around that. So, we expect that debt to come down by Rs. 400-odd crores to Rs. 500 crores in the second half of the year. As you said, there is a part which is allocated from 1st April 2024, into the two entities. All I would say is we will sufficiently fund the demerged ABFRL to drive aspirations of the growth opportunities that we have created with the portfolio. I am not at liberty today to talk about either the size or the timing of the fundraise, and we will do that at an appropriate time.



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Moderator: Thank you. The next question is from the line of Garima Mishra from Kotak Bank. Please go ahead.

Garima Mishra: The first question is on Pantaloons. Now this is with reference to the EBITDA margin expansion for the business that you talked about in the opening remarks. Now, I note that over the last few quarters Pantaloons has posted a negative EBIT, how do you view this? And I am asking this also in the context of EBITDA margin does not give us complete picture given some rental cost to sit below EBITDA.

Ashish Dikshit: So, Garima, the first thing is, the improved performance is with on a like-to-like basis with the same principles that we applied last year versus this year. So, I hope you agree with that this is indeed an improvement, therefore, over last year, because it's the same comparison that we give. Also, as per accounting standard, these are same standards that applied by anybody in the industry, so it's very close to what everybody else reports. On the question of Pantaloons segment, Pantaloons also has Style Up as a part of it, small portion, very small contribution today is the size of Pantaloons on the revenue side. But obviously, slightly larger contribution in pulling down Pantaloons' segment profitability, which is what you are talking about.

Garima Mishra: Let me ask this another way. This Pantaloons segment generates cash in 1H FY '25.

Ashish Dikshit: Absolutely. And we have said that before, Pantaloons was a free cash flow operating business before we went into COVID, post-COVID it took time to recover, we are back to the same situation.

Garima Mishra: My next question, and this is again on Pantaloons, now assuming demand environment remains sort of tepid, maybe not as tepid as it was in 1H, but maybe still remains a little lower than what we have seen in the past, what steps can be taken to drive up the LTL?

Ashish Dikshit: So, I think Garima, I will get Sangeeta to come in, but honestly the drivers of improved productivity for us remain same, good or bad market, because we are not using discounting as a lever. And therefore it comes down to, apart from the external conditions about store improvement, merchandising improvement, superior consumer experience, and which are more fundamental drivers and they are more sustainable over a period of time. I do not think we will do things which will create a one-time improvement and it's going to be more organic. And as you have noticed over the last couple of quarters, this organic sustainable improvement is what Pantaloons business is driving. And it's showing up in all places, the stores are looking better, the product esthetics have improved, product quality has improved, gross margin has improved, and overall effectiveness of the network. Some of the pressure on the Pantaloons business, and that's true even for some part of Madura businesses, is the smaller markets underperforming. And Pantaloons is one of the most expanded retail format, and it is not just in top cities, it travels pretty deep. While we did some of the rationalization last year, the lower end of the markets,

which are smaller markets continue to underperform, which is sort of putting pressure on that. But we will have to deal with it as we keep going forward in a more sustainable manner.

Garima Mishra: Next I have a question on the innerwear business. Now, in the PPT you have talked about exploring this as a multi-channel strategy. So, is there any thought of expanding operations of your innerwear business in the quick commerce channel as well?

Ashish Dikshit: Yes, I think probably in fashion the first and the most amenable category is quick commerce. We have just started or just about to start right now with one of the players, and we hope to expand with other players in this quarter, which is quarter three of this year. We will see how the performance is. But early signs from what we hear from channel partners are that it's a category which has got a good pickup, and we will see if it goes further from there.

Garima Mishra: And last question from me, if I may, are there any suggestion getting an external investor on board for TMRW? And in case there's no external investor comes in, how much more capital will ABFRL need to invest in TMRW?

Ashish Dikshit: So, Garima, we had mentioned that, as far as ABFRL is concerned, we had Board approval of close to Rs. 750 crores, which is what we have invested. At this point of time, we do not plan to increase that, nor does the business need it at this point of with the capital that they have got. Our plan was always to get an external investor at some point in time. However, we will have to time it appropriately so that the business is sizable and attractive for an incoming investor itself. As you can see from this quarter or from previous quarters, the business is scaling up very, very fast. We have now pretty attractive portfolio brands, we are clocking close to Rs. 1,000 crores run rate as far as the revenues are concerned. We are still some distance away from portfolio level profitability, but many brands are profitable at brand level. So, we think in the right period of time we will be able to get an investor to fund the next phase of growth. Till then we do not plan to make any acquisitions.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

Devanshu Bansal: Sir, in continuation to Garima's question, I just wanted to understand this increase in net debt better. So, in H1 the debt has increased by Rs. 800 crores to Rs. 900 crores. From the cash flow statement, we have invested about Rs. 500 crores, half of which is going to CAPEX, and rest in subsidiaries, additional stakes actually. Working capital is actually reduced by about Rs. 75-odd crores. So, there is an OPEX funding of about Rs. 400-odd crores in H1. So, I just want to check which are the business segments as of now where we have to support operationally the business for them?

Ashish Dikshit: So, I think as far as H1 is concerned, and you are probably commenting on H1, Pantaloons segment, to further answer Garima's question and your part, has been free cash flow generating. I am keeping ABLBL related businesses out because they have historical track record of free

cash flow generation, so that's out of it. Although this half there's been some consumption of cash in that part of the business, Pantaloons being free cash flow generating most of our cash has gone into ethnic businesses, which is largely in the subsidiaries part, which included TCNS also. Then there were investments that we made in the remaining acquisition of Tarun Tahiliani. We also had partial commitment of equity, which was planned for TMRW investment, so a part of investment went into the. A part of which was used by TMRW to make further investments, which is investments in WROGN that we made. So, it's a combination of investments that we have made, and operating businesses which is largely ethnic, which is consuming cash.

Devanshu Bansal:

And sir, specific to TCNS, I guess it has seen healthy growth of about 13% odd, right, in Q2. I guess Q3 is seasonally heavy quarter for this particular segment, so any thoughts on initial traction for the festive season? And if you could just update on the margin profile of the business as of now.

Ashish Dikshit:

So, I think as we have said, TCNS business, when we took over, that will take us a couple of quarters first to focus on fundamentals, which is product enhancement and shape of the business. I had also commented at the beginning of the year that by Q3 we will breakeven, which is we are pretty much on track as far as that is concerned. Business profitability has improved significantly from where it was. And as we had projected, by Q3 it will become profitable. In terms of growth, I do not want to comment on specific month or so. But as you are seeing, as the new products have started to come in, the business has started to improve in terms of revenues as well, not just absolute revenues but even the quality of revenues have been improving. And we expect to slowly continue improving on that trajectory.

Devanshu Bansal:

Sir, just a small follow-up. So, out of all these TCNS we are expecting profitability to improve or break even, I guess Sabyasachi, Tarun Tahiliani, Jaypore, etc. are profitable business. So, Tasva is the only part where it may be operationally making some losses for us. Is this the right understand?

Ashish Dikshit:

So, Tasva and Jaypore are today, Tasva being the largest one, followed by Jaypore, and to some extent we are still making investments in some of the high growth segments, particularly in House of Masaba, the Lovechild, which is the beauty business. So, some of those, but those are, I would say, smaller pieces. The biggest piece will be Tasva.

Devanshu Bansal:

And this Rs. 38 crores loss that we have incurred in Q2, is this the peak, as in which we can expect some normalization from these levels going ahead?

Ashish Dikshit:

Difficult to say so early. I would not give that sort of indication today. We will wait for the full year and then have a sort of more balanced picture of that.

Moderator:

Thank you. The next question is from the line of Aditya from CLSA. Please go ahead.



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Aditya: So, two questions from me. So, firstly on the ethnic business, can you give us a sense of how much of the growth is organic? And the second question on the Lifestyle business, any sort of indication of store additions over the next two quarters, and then also for fiscal '26? And if you can break that by brand.

Ashish Dikshit: So, just a quick comment on the ethnic business growth. You wanted to know organic growth of the business, which is without addition of TCNS and couture business of Tarun Tahiliani, I think Jagdish in his speech had talked about 10% growth for the remaining business, which is the organic part of the business. Sorry, what was the second question?

Vishak Kumar: I will take that, Ashish. He wanted to know about expansion. Aditya, hi. Vishak here. Expansion, I think first half we have primarily focused on consolidating, especially to take away unviable stores. We have pretty much completed that exercise. And hence, as we go into Q3, Q4, all the expansion would result in a significant net positive to the network. The only part where we will still stay guarded for maybe a couple more quarters is small town expansion. As you know the kind of business recovery that we need in small town I think will take a little longer. So, we have been very careful in expanding in small town, urban and middle India expansion will continue significantly. So, you will see that as the quarters unfold.

Aditya: So, just to follow-up actually on both, but firstly on the expansion. So, any sort of commentary on numbers what we should expect for expansion in 2H? And within that would the understanding then be right that maybe Van Heusen, Louis Philippe and Allen Solly see more expansion than Peter England and Peter England Red?

Vishak Kumar: Peter England Red perhaps might be a little more slow, but all the other brands would grow stronger, including Reebok, which is also catching up on expansion because we started with a smaller network and we have a lot of catching up to do, a lot of locations where we do not have Reebok stores, so that expansion will also continue full-fledged. So, I think you will see all of these brands, in especially urban and midtown India growing their network in H2.

Aditya: I am sorry to belabor this, but any numbers to give on how much expansion we should expect?

Vishak Kumar: In our business, sometimes a few months slip in the way network comes. But my sense is about 100 stores is the kind of number that we should look at in H2.

Moderator: Thank you. The next question is from the line of Ashish from Citigroup. Please go ahead.

Ashish: So, the first question is on the franchisee health, because we have seen it has almost been now more than two years since the demand has been kind of subdued, and we operate a lot of franchisees stores, both in Lifestyle as well as in Pantaloons. So, what you are seeing there, are you seeing any kind of stress with the franchisee partners? And especially in the case of new stores, what is the kind of interest you are witnessing?



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Ashish Dikshit:

Hi, Ashish, I will take it and Vishak, Sangeeta, if you have something more to add. So, Ashish, our relationship with franchisees have been long term. I have always believed that their capital is as important as ours, and therefore we have been very balanced in the way we look at it. In times of crisis, we will see how we can support that. Last year and a half or so has continued to be weak, and that's why some of our expansion, if you look at the previous question, is the reason Vishak mentioned about slowdown in some of the small town expansions primarily because we do not want to grow to markets at times when franchisees do not see possibility. Most of our expansion, at least in Lifestyle brands, is driven through franchisee business. And therefore, our slower expansion is reflective of the franchisee situation today. But it is normal and we have gone through these cycles multiple times in over many years. So, I do not think there is anything extraordinary to worry about.

Moderator:

Thank you. The next question is from the line of Tejas Shah from Avendus Spark institutional equity. Please go ahead.

Tejas Shah:

First question is pertaining to Pantaloons. So, with trends appearing to take a very cautious approach on Westside's expansion, how should one assess the growth potential of Pantaloons? I am assuming that both cater to the same audience, how are we approaching the growth runway, your expansion runway for this format?

Sangeeta Tanwani:

Hi, Tejas, this is Sangeeta. So, Tejas, as Ashish and Jagdish alluded in his talk as well, I think one of the shifts that we made and we talked about in the previous calls as well is, today Pantaloons is a large format which is distributed extensively across 200-odd towns that we are present in with our 400-plus stores. As we have assessed our performance over the last few quarters, we have recognized the fact that, of course, our right-to-win and our performance has been better in the larger towns. And therefore, as we had called out earlier, our focus in terms of expansion is more in terms of metros, mini-metros, and Class 1 towns.

Also, I think where we have strengthened our guard rails is in terms of the quality of stores that we open. So, we are opening bigger stores, better stores, and better representation of the labels that we have. We still believe there is a huge opportunity for us to grow. But of course, in terms of the number, anywhere between 2025 stores is what we have called out. And we continue to stay with that plan of opening about close to 20 stores. In terms of square footage, we are looking at bigger stores, so we may end up doing more than what we had planned for. But opening the right stores and then making them perfect from an operations and an execution standpoint is what we are focused on.

Ashish Dikshit:

I think, Tejas, to some extent this reflects the shift in strategy which you are alluding to. We earlier used to aspire to open 50 to 60 stores, there was a year in which we opened 70 stores. We are now looking at 20, 25 stores, more urban-centric, more ready markets because the effect of productivity etc. we have found is much higher here. And fortunately, with a very promising

start to Style Up, we feel the entire value retail format will be better served through many of these markets being served by Style Up as we go forward.

Tejas Shah: Second question is on innerwear and athleisure. So, after many quarters, the leader actually gave a very positive commentary on the segment recently. So, are we seeing any similar trend shifts in our segment?

Ashish Dikshit: Yes, Tejas. To some extent, I think the first signs of athleisure's continuous decline has stopped. This is the first quarter or maybe I do not have it, maybe first or second quarter where athleisure has started to at least come back to a base level. And once that happens, because innerwear had come back a couple of quarters back, so athleisure which is pulling down the growth. And so far, from here onwards I think you will see stronger growth in the innerwear segment.

Tejas Shah: And the last question is for Vishak. Vishak, personally as a consumer, Reebok seems to be one of the most under-indexed brand in our Lifestyle portfolio. So, could you share some medium-term aspect? You spoke about that there's a huge room and you are looking for locations, but can you throw some more light on how do you see these bands this band in medium term and what are your aspirations or goal here?

Vishak Kumar: Thank you for that. Tejas. Yeah, we just had a review in the first half on Reebok, and we are looking at how we can accelerate expansion. We still want to be very sure on locations as we do that. But I do think that our footprint has to go through a significant enhancement over the next few years. We have a lot of catching up to do. What we are also making sure is that it is backed by a whole lot of solid products, both in footwear and in apparel that we are doing some really good stuff to make sure that these stores are viable from day one. Also, we are working a lot on multiple brand building initiatives to strengthen the brand. I do think that the next few years are going to be very significantly strong growth years for Reebok, just by footprint expansion and also by throughput improvements across the board on the brand.

Ashish Dikshit: I think I would just add to that, the whole BRF implementation meant that we had to strengthen our capability in terms of local sourcing and product development, which Reebok team has done a wonderful job. We had to make sure that we have intrinsic capability and deep knowledge of the category, which we have done very well. So, Tejas, it's just a matter of time, if BRF not happened, perhaps you would have accelerated even faster. But now we had to make sure that we have enough sort of back-end capability to drive the growth. And you will see a shift in momentum on that.

Tejas Shah: And just one follow-up there, the route to market will be COCO, FOFO, or mixed?

Ashish Dikshit: Tejas, we have always had a combination of these. There is a lot of very strong franchise partners that we have on Reebok who are keen to scale up. There are, of course, specific locations, some mall locations, etc. where we do COCO stores if required. So, it will be a combination. We are



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largely franchise driven, but we do a combination so that the momentum on expansion continues strongly.

Tejas Shah: And the last one, if I may. So, this October has been one of the warmest October in recent times, non-South India portfolio is usually known in fashion for being winter-oriented. So, how are you seeing and how much of our portfolio is exposed to that risk?

Ashish Dikshit: Vishak, you can talk about it.

Vishak Kumar: See, Tejas, we are very well prepared for winter. We do believe that there will be a strong winter. There are a lot of signs of that. If you read up on weather commentary, there is a lot of signs of a strong winter. So, we do believe in that. Having said that, it is an important part of our assortment in North India, eastern parts of India, some parts of central India etc. And we will figure ways to manage for the ups and downs. Usually, it's not strong versus weak winter, it's when it gets timed, early winter versus late winter, etc. We are fairly prepared for that. And my sense is that it should be a decent winter.

Ashish Dikshit: Quickly from a portfolio point of view, I think, Tejas, other than Lifestyle brand, and particularly I would say one or two brands which have higher exposure, rest of our portfolio in the second half is actually not that exposed to winter wear per say. Of course, the wedding relevance and reliance is much higher.

Moderator: Thank you. The next question is from the line of Raj Kumar from Navodya Enterprise. Please go ahead.

Raj Kumar: In this quarter on the consolidated basis, Mudra Lifestyle brand sale is Rs. 1,975 crores with Rs. 33 crores PBIT. And the Pantaloons brand sale is Rs. 1,082 cores with the minus Rs. 42 cores of PBIT. In your Mudra Lifestyle brand, the sale as well as the PBIT is decreasing, and the Pantaloons brand your PBIT has been negative for the last couple of quarters. My question is, what is the reason behind it? I mean, in both the segments they are very old and repudiated segments, so we expect 10% to 15% sale growth from both the segments. But why they are not giving that kind of sale as well as PBIT, I just want to know. And the second part is, when will Pantaloons PBIT come in profit?

Ashish Dikshit: So, I think in Pantaloons segment there is impact, of course, Style Up business which is in incubation phase at this point of time. Pantaloons on its own, in response to earlier question, has delivered positively. But the combined operation therefore is negative.

Raj Kumar: Sir, my second question is regarding employee expense and other expenses. Both the expenses are increasing rapidly on quarter-on-quarter basis, I mean, both have increased by 20% on standalone basis quarter-on-quarter and 10% on a consolidated basis. Is there any specific reason there and it, please gives some light on it?



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Jagdish Bajaj: So, I think there have been a lot of additions which are inorganic in nature. We keep looking at our overall manpower expenses at overall level. Adjusted for acquired business, which is removing the cost that comes through acquired businesses, the overall growth on that account is about 6% to 7%.

Moderator: Thank you. The next question is from the line of Naitik from NV Alpha. Please go ahead.

Naitik: Sir, I just needed clarification in terms of when you see your margins in Lifestyle bands, they seem to have come down, so can you please explain why they have come down?

Ashish Dikshit: I think Vishak had explained in response to earlier question. To some extent it was impacted by the absence of one large important customer, and that reflected in both lower sales and some loss of profit on account of that. The second reason was a one-off last year same quarter which was primarily due to a reversal in minimum wages in Karnataka where most of our factory operations are, which gave us a one-time gain last year which obviously was a one-off. Net for the one-off, the margins are pretty steady and improving.

Moderator: Thank you. The next question is from the line of Vaishnavi from Anand Rathi Institutional Equity. Please go ahead.

Vaishnavi: I had a couple of questions for Vishak on Madura's growth, because if I look at the H1 numbers, the numbers are flat. And I understand that the demand environment was subdued, but how should we look at the growth going forward and what would be the drivers for growth in the same?

Vishak Kumar: Hi, Vaishnavi. Yes, it's been a tough H1. But having said that, we have used this as an opportunity to become stronger in the way our portfolio is organized, etc., consolidating our network to drive retail profitability, building further on product innovations, driving further on premiumization, casualization, a whole lot of things that have been built for poisoning ourselves better for growth. I think in any case, as we get into wedding season now, etc., we should see the calendar effect being positive to us. But going forward also, Vaishnavi, we have been a double-digit CAGR business for two decades and that's the kind of trajectory that we should keep going at. And there are enough levers for growth in every brand and every part of our business. So, I would say that, yes, we should keep that growth engine going.

Vaishnavi: In the longer term, can we bill like a 10% to 12% sort of revenue CAGR for the Lifestyle brand?

Vishak Kumar: Absolutely, I think definitely a double-digit growth CAGR is something which we should drive these brands for, absolutely.

Vaishnavi: And in terms of premiumization, right, since you said that that's been a focus of what we have been working on, premiumization and casualization. Can you provide some insights in terms of

what was the percentage, let's say, a couple of years ago, like pre-COVID, and what it is now in terms of contribution?

Vishak Kumar:

Maybe, Vaishnavi, we can send that separately to you. But I would create a significant shift, and it's just that I will have to do this brand by brand for you, different brands have different portfolios. For instance, Allen Solly is largely anchored around casualization, there it's not such a relevant thing, in other brands it's more so. There are brands which needed significant premiumization, there are parts of it which are already high there. I think it will need for me to give you a second level double click on this to give you a better answer. But at the ballpark level here's what I can say to you, let's say in brands like Louis Philippe, Van Heusen, there are opportunities which are emerging at price points of Rs. 4,000, Rs. 5,000, etc., per shirt, which we have significantly scaled up. We have a line which is Luxure by Louis Philippe, which is also scaled up, which is Rs. 5,000 to Rs. 10,000 price point, so that's significantly strengthened. We are looking at retail formats where there is a larger composition of premium products, right, top of line products that we have. So, it's very contextual to each brand. But yes, in some of these brands, it's been a strategy which has helped significantly.

Moderator:

Thank you. The next question is from the line of Rajat Agrawal from Atharva Investments Manager. Please go ahead.

Rajat Agrawal:

My question is related to TCNS, and if you can maybe help me with the slightly long-term kind of a view on this. First up is, has that brand stabilized? And from now on, do you see the brand only clocking profitable growth? And the related thing would be, are you further looking at any one-off cost related to TCNS in the next couple of quarters, be it related to rationalizing of stores, or do you see some duplicity in certain sub-brands of TCNS, any thoughts on the same please?

Ashish Dikshit:

Thanks, Rajat. I think TCNS, as we have been communicating in our previous quarter's previous communication, we have worked on three dimensions. The first one was product improvement and that the team has done very well. The new product is certainly performing at a level that we had expected. Most of the old inventory which led to the one-time write-offs that we had to take we have already done, we do not expect any change in that. In fact, the TCNS team has delivered outstanding improvement in their inventory, both in quality and absolute numbers. And this is both, including the new inventory as well as old inventory, most of the old inventory is behind us, there's no further one-time cost coming there.

As far as store expansion is concerned, I think as we grow in a normal course of the business, there will be rationalization that happens in all businesses. No significant sort of different versus other brands as far as store expansion is concerned. We are working on elements of synergy between the two companies, the two parts of the businesses, and that's playing out well. In terms of your question around longer term trajectory, we had said this year we will make sure that the business has got stabilized on all dimensions, all one-time cost structure change or obsolescence



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hits, those have been taken. The policies are fully aligned. And we would look to start to probably the first profitable quarter from this quarter, and next year onwards we will look to come close to profitability with the longer-term ambition of getting into mid-double-digit profitability EBITDA margins.

Rajat Agrawal:

Great. Thank you, sir. But just a small follow-up. I mean, I did allude to certain sub-brands of TCNS, for example, let's say, W's and Aurelia. I mean, I think they do, and I am just talking from the perspective of a consumer, they do have a similar product range. And hence the two may have very, very similar locations as well. So, do you think, I mean, that's the correct picture of it, do you see something more distinctive being carved out between W and Aurelia? And across the portfolio do you see certain similarities between various brands and there may still be some work to be done to make them more distinct, from a consumer point of view?

Jagdish Bajaj:

So, fair point, I think there is, to our best judgment and cumulative experience of the TCNS management team, there is a distinction of W being both more aspirational as well as more fusion, and therefore more contemporary, versus Aurelia, which is slightly sharper price, more traditional, works for more conservative consumer in that sense. And therefore, there is an element of fashion difference and target customers slightly different. We will continue to evolve the positioning to make sure that it is sharper and well seen by consumers, as you are alluding to, but that's a more ongoing exercise. I do not think at this point of time there is any thought of having one versus other. We are very, very mindful that these two, both together as well as individually, are among the largest brands in the ethnic wear industry. And that's the whole sort of purpose of acquisition, we will sharpen their positioning as we go along.

Moderator:

Thank you very much. The next question is from the line of Chintan Mehta from Puniska Family Office. Please go ahead.

Chintan Mehta:

Sir, what is the PBT margin we are looking in Lifestyle businesses?

Jagdish Bajaj:

Sir, we do not give numbers at that level. So, therefore, I do not think I want to disclose the numbers at that. But over a longer period of time the portfolio of a ABLBL brand, we have talked about EBITDA margin range north of 18%, which is really what we are targeting from that portfolio, and that's the number that we have for you.

Moderator:

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