

Aditya Birla Fashion

10 August 2026

Operator: 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 FY27 performance, followed by a question-and-answer session. As a reminder, all participant lines will be in listen-only mode. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today Mr. Ashish Dixit, 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's performance and strategic questions only. Housekeeping questions can be dealt with 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 – CFO: Thank you. Good evening, everyone. Thank you for joining us today for the Q1 FY27 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 leading 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 the additional lunar month 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 assortment, improved in-store experience, and sustained consumer engagement.

Now moving to the financial performance of the quarter. ABFRL reported revenue of {? Rs 2,026 crore ?}, registering 11% YoY 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, TCNS, our designer-led brands, and the Collective and monobrand businesses. Alongside these, over the last four to five years, we have incubated and scaled several new businesses, including TMRW, Galeries Lafayette, On, 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% YoY growth, supported by the expansion of the retail footprint and continued investment in building these businesses for the long term.

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Moving to profitability, EBITDA for the quarter stood at {? Rs 167 crore ?}, with a margin of 8.2%. The YoY decline largely reflects lower treasury income along with continued investment in scaling our newer businesses. Excluding treasury income, EBITDA increased YoY, reflecting better operating performance on a comparable basis. At a segment level, the ethnic business maintained broadly stable EBITDA, while TMRW continued to demonstrate improvement in its profitability trajectory, with YoY EBITDA losses narrowing during the quarter.

Reported loss for the quarter stood at {? Rs 249 crore ?} compared to a loss of {? Rs 234 crore ?} in the corresponding period last year, primarily due to higher interest, 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 {? Rs 1,000 crore ?}. The deployment of this cash remains broadly in line with the priorities and frameworks that we outlined during the previous investor call. We are confident that this cash is enough for us to fund the businesses for the next 2 years, with an annual cash funding requirement of {? Rs 500 to 550 crore ?}. By FY29 and FY30, 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 {? Rs 1,204 crore ?}, registering 10% YoY growth. EBITDA margin came in at 15.9%, lower than the previous year, largely reflecting the continued scale-up of On. The Pantaloons business delivered another solid quarter, with revenue growing 7%, supported by 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 consumer traction. Digital momentum remained healthy, further strengthening the overall omnichannel proposition.

On delivered 55% YoY 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 On 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 of more than {? Rs 2,200 crore ?}. This business reported Q1 revenue of {? Rs 450 crore ?}, registering 4% YoY growth, while margins remained broadly stable. This growth has to be seen in the context of higher wedding dates in Q1 last year and the impact of the additional lunar month on occasion-wear-related purchases this year. Some of our designer-wear businesses were also impacted due to lower wedding purchases amid global disruptions, where the order book declined.

Despite all this, the portfolio delivered healthy 5% like-to-like growth, reflecting the underlying strength of the brands and their consumer proposition. As you are aware, our ethnic portfolio

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comprises 2 distinct segments: designer-led brands and premium 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.

Within the premium ethnic-wear brands, TCNS retail revenue grew 10% YoY, 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 declined in pursuit of building them profitably. The portfolio continues to sharpen its product proposition with greater granularity in assortment 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 fully narrowing the loss.

Tasva delivered robust growth of 35% YoY, 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 trading markets. Tasva's retail footprint now stands at 90 stores, and we continue to expand its distribution in key occasion-wear markets going forward.

Moving to luxury retail, the Collective and monobrand portfolio maintained healthy momentum, delivering double-digit YoY 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.

Galleries Lafayette continues to progress well following its launch last November. We are seeing 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 Galleries Lafayette's positioning as a differentiated luxury retail destination in India.

Turning to TMRW, primary sales grew 11% YoY, while secondary sales increased at a faster rate of 16%, reflecting healthy underlying consumer demand. Importantly, cash losses narrowed further during the quarter, benefiting from improving operating leverage and greater scale efficiency. We will continue to drive this trajectory going forward as well, with a clear path to achieve brand-level cash profitability over the next 12-18 months.

At the same time, TMRW continues to strengthen its omnichannel footprint, adding more than 20 stores during the quarter. Including On, 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 and macroeconomic environment, we will continue to navigate it with discipline and agility, taking appropriate actions as required.

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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 being 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 will also closely look at areas where we can bring in efficiencies 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 sizeable and profitable in the context of the large market opportunity that is the fashion and lifestyle space in India. Thank you, and I am happy to take questions now.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Garima Mishra with Kotak Securities. Please go ahead.

Garima Mishra – Kotak Securities: Thank you so much for the opportunity. My first question is on the Pantaloons segment. Revenues for the segment grew quite fast this quarter, and presumably most of this is on account of On. So what is the consumer response to this format, and how much of the segment revenue and EBITDA contribution was on account of On in Q1?

Management: Thanks, Garima. As we have given in the IR deck, the Pantaloons business grew {? 7.7 or 8% ?} this quarter, of the total segment growth of 10%. The remaining growth was from On. So 2-2.5% of the segment growth incrementally came from On. Pantaloons also showed fairly decent growth this quarter.

Ashish: As far as profitability is concerned, {? Obe ?} still continues to be in an investment phase, and therefore profitability is mostly driven by Pantaloons. In fact, {? Obe ?} has taken away some of the segment's profit.

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

Ashish: At this stage, Garima, we are still watching the format in terms of achieving adequate profitability. We have still not achieved segment-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 – Kotak Securities: All right. Got it. My second question is on TMRW. In Q1, TMRW witnessed a slower scale-up of revenues, especially compared with last year. So what is the strategy here, and should we expect this sort of revenue momentum to sustain in the near term?

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Ashish: Garima, if you look at TMRW over the last several quarters, the business has been growing close to 25% annually over the last 3 years. Last year, the same quarter was much higher, at about 39%. On top of that, this quarter there is a significant difference between secondary and primary sales, and that is why we reported both. While primary sales grew only 11%, secondary revenue grew by about 16–17%.

We expect TMRW to continue at a revenue growth rate of more than 20% for the year. The business is gaining both momentum and reducing losses, and this year is therefore a significant year in TMRW's journey.

Garima Mishra – Kotak Securities: Okay. My last question is on the absolute net loss for the quarter, which was still high. Should we assume that FY27 remains a year of investment and that we start seeing improved profitability only from FY28 onwards? Also, I think Jagdish did give the gross cash number, which I missed, so I would appreciate it if I could get both the period-ending cash and debt numbers.

Ashish: In terms of profitability, I will let Jagdish comment later. Garima, we had indicated that over the next 2 years our losses will reduce. This quarter probably does not reflect it to that extent, but on an annual basis we will have lower losses this year, and FY28 will probably have even lower losses. We had indicated that FY29 is the year when the portfolio will become fully profitable, and that is really the trajectory that we are on.

Jagdish: Garima, on cash, I said that when I started the year, I had roughly 1,100 to 1,200 crore in cash. Now I have approximately 1,100 crore. By year-end, I will have around 500 crore with me. This is the standalone cash.

Garima Mishra – Kotak Securities: Got it. Understood.

Jagdish: You are aware that TMRW had already raised 500 crore for its growth plan, so we do not have to contribute to it now.

Garima Mishra – Kotak Securities: Got it. Very clear. Thank you.

Operator: The next question comes from the line of Tejas Shah with Avendus Spark Institutional Equities. Please go ahead.

Tejas Shah – Avendus Spark Institutional Equities: Hi, team. Thanks for the opportunity. I have a couple of questions. First, on Pantaloons, the format LTL has moderated from 14% to 4% this quarter. To a large extent, you also called out that the additional lunar month played a spoilsport. If you adjust for that period, how would this number look for the rest of the period?

Ashish: Tejas, it fluctuated a fair bit during the quarter. First, to provide context on the 14% in Q4, we had mentioned in the Q4 call that part of that was due to the shift in EOSS. We had called out that from November onwards, which is almost the second half of the year, the business had grown with like-to-like growth of 7–7.5%. That is the like-to-like trajectory that we were on.

We started with a slightly lower April. May was much better, with significant double-digit growth, but June came down again. Therefore, the full quarter ended up being more moderate at about 4%.

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We hope that as we move forward through the rest of the year, we will be able to improve it and achieve annual like-to-like growth of at least high-single-digit levels.

Tejas Shah – Avendus Spark Institutional Equities: How should we read consumer demand sentiment? When we look at jewellery, it has been robust, obviously helped by gold prices in some pockets. Value retailers would have done well, while broader discretionary sentiment is mixed. What is your reading of demand on the ground?

Ashish: From our perspective, I would still say that demand has been quite steady. I would not call it strong, but it has been quite steady even this quarter. Therefore, the fear that demand might reverse or slow down has not been seen as of now.

However, as you know, we are moving into a slightly more inflationary phase in the second half of the year, so we will have to keep watching how that plays out. For us, in terms of revenue growth, this quarter was more impacted because we have a large share of wedding-wear businesses between our designers and some of the premium brands in ethnic wear. That business was impacted by very specific marriage-date-related issues, a longer additional lunar month, and other factors, which were more pronounced in our business.

Overall demand, as reflected both by industry performance and by the rest of our portfolio, stood reasonably well this quarter.

Tejas Shah – Avendus Spark Institutional Equities: My last question, if I may, is on {? Obe ?}. Pantaloons has reached nearly 90 stores now. What are the early indicators giving you confidence that we have found the right product-market and brand fit? As an external observer, how should we gain confidence that this is the model we are now backing fully and that we have found the right sweet spot in this space?

Ashish: There are a couple of things that we are measuring internally. Clearly, like-to-like growth, gross margin, and sell-through are 3 parameters that give you a reflection of how any retail format is working.

We have not reached a point where we are pressing the accelerator on this format. We still have some work to do. We have a new management team that has come in. We have separated the business from the Pantaloons management and created an entirely new team.

Over the next 3–5 months, we will closely watch how some of the changes that we are bringing into the format play out. At this point, therefore, we are not growing it as aggressively as we are capable of in terms of expanding the business.

A large part of this year will continue to be focused on getting the format right, and the best reflection of that would be through profitability, where we are just about at break-even. I think we need to do better than that and achieve slightly better profitability before we press the pedal.

Tejas Shah – Avendus Spark Institutional Equities: Got it. Thanks, and all the best.

Operator: A reminder to all participants: you may press star and one to ask a question. The next question comes from the line of Archana Menon, an individual investor. Please go ahead.

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Archana Menon – Morgan Stanley: Hi, thank you for the opportunity. This is Archana Menon from Morgan Stanley. My first question was on the TCNS business. I want to get a better understanding of the performance this quarter because there seems to be a difference between the reported revenue growth and the retail growth.

Even for retail growth, when I look at the LTL numbers, it seems to have come down from the 7–8% growth of the last 2 quarters to 2% this quarter. I want to understand what has led to this.

Ashish: Hi, Archana. You are right. I think we have had very consistent, almost double-digit growth for 4–5 quarters. This is one of the quarters in which the like-to-like trajectory has remained low, at about 2%.

I would say it was overall not a very good quarter for the business. The overall growth was marginally lower than last year, and the overall number was marginally lower than last year. Part of this was because, as you know, over the previous 12–15 months we have been reducing old inventory, and there was a lot of liquidation built into that base.

So while our growth has come down, our margin is slightly better than last year at the same time. However, I have to say that with just 2% like-to-like growth, this has been a somewhat disappointing quarter from an organic performance perspective.

Archana Menon – Morgan Stanley: Thanks, Ashish. How should we think about this for the rest of the year, both in terms of LTL and new store openings?

Ashish: For new store openings, we are looking at about 35–40 stores at an overall level. This would be close to a 10% addition to space because these stores are slightly larger.

We have improved retail performance, but like-to-like growth will have to return to high-single-digit and early-double-digit levels. A lot of work is happening to contemporize the brand, with the infusion of greater elements of fusion and contemporariness into traditional ethnic wear. You will see a lot of this play out in the second half of the year.

Archana Menon – Morgan Stanley: Understood. On the core Pantaloons business, as {? Obe ?} mentioned, could you help us understand how the profitability of the Pantaloons brand has been moving?

Ashish: The Pantaloons brand, as you know, has been operating close to 18% EBITDA, as we used to report at certain points separately. I think the business performance is broadly similar to last year. Growth is 7%, but EBITDA margins are in a similar range. It is {? Obe ?} that is pulling down the segmental margin, making it marginally lower.

Archana Menon – Morgan Stanley: Understood. My last question is on inflation. What level of inflation are you seeing for both Pantaloons and {? Obe ?}, and have any price hikes already been taken? The point I am trying to understand is how we should think about margins for both Q2 and the second half.

Ashish: There is inflation of close to 4% plus in both businesses. For {? Obe ?}, at this point we are still getting the format proposition right, so I am less concerned about it. We have not yet achieved

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a stable margin.

In Pantaloons, we have chosen to keep the price hike to a much smaller part of this and not impact the customer because the rest of the basic proposition was working very well. We think this is a transient phase for price increases in raw materials, and therefore we have not passed on a large part of it.

Half of it has been passed on, while we have retained the other half. We hope to recover it through better sell-through and higher sales, but some of the margins at the gross-margin level will certainly be impacted as we move into the second half.

Archana Menon – Morgan Stanley: Understood. Thank you so much.

Operator: The next question comes from the line of Abhijit Kundu with Antique Stock Broking. Please go ahead. Since the line of the current participant has dropped, we move to the next participant, Devanshu Bansal with Emkay Global Financial Services. Please go ahead.

Devanshu Bansal – Emkay Global Financial Services: Thanks for taking my question. I wanted to understand the growth that we can anticipate for the ethnic segment for the full year. TCNS is obviously slow, but I believe that is only 40% of the business. In the remaining 60% of the business, what growth rate can we anticipate? As I understand it, the designer brands were affected by the shift or the slower wedding season this time around, but overall, could you highlight your expectations for this year from the ethnic segment?

Ashish: Sure, Devanshu. You are right. The first quarter was significantly impacted both by fewer wedding dates and by international travellers and weddings not taking place to a sufficient extent, which affected the designer-wear part of the business.

We expect this segment to perform at more than 20% at an overall level. Despite the drag that the TCNS portfolio currently has, which we expect to return to at least early-double-digit growth, the overall portfolio should be above 20% for the full year.

This year is somewhat skewed in terms of the second half versus the first half. While Q1, and to some extent Q2, will be affected—Q2 more so because of the shift in festival dates, which has nothing to do with weddings—the second half is likely to be significantly higher than the first half for the entire portfolio.

Devanshu Bansal – Emkay Global Financial Services: Despite 40% of the business being flat and the overall business potentially being in single-digit growth in the first half, you are anticipating that we may deliver 20% growth in FY27 for this business. Is that correct?

Ashish: Yes, for the full portfolio.

Devanshu Bansal – Emkay Global Financial Services: Currently, for—

Ashish: I am sorry, just to add to that, {? Devanshu ?}, TCNS growth is also impacted to some extent by the large liquidation that we are undertaking, which I was responding to in {? Velma's ?} question earlier in the call. So some of the bases are unhealthy to that extent. That is one of the

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reasons why TCNS may not show as high a growth rate as the rest of the portfolio, but it will be healthier growth this time. Sorry, you can go back to your question.

Devanshu Bansal – Emkay Global Financial Services: What is the current revenue run rate for Galleries Lafayette? As a sub-part, what is the overall investment that we have made in this business, and what is the current level of operational loss that you anticipate, given that it is in its initial years? Could you provide some insight here?

Ashish: {? Devanshu ?}, you know that we do not provide this level of detail for individual businesses. However, you are right that 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 that between the Collective business and Galleries Lafayette, we expect to break even, if not in the first half, at least in the second half of this year at the total level, which is the combined level.

Devanshu Bansal – Emkay Global Financial Services: My last question, Ashish: we acquired—or perhaps the TMRW portfolio had—the brand Berrylush, which was recently acquired by Snitch. Could you provide some insight? Was this business expected to follow this path, where we acquire it at a certain valuation, improve and scale it, and then sell it? Have we been able to create value in this particular transaction?

Ashish: No, {? Devanshu ?}, just to correct you, we did have an intention to do so, but we did not complete the transaction for Berrylush, which was about 3–4 years back. It was never a part of our TMRW portfolio. Therefore, whatever has happened is outside our portfolio. In TMRW, we have not either sold or shut any of the businesses.

Devanshu Bansal – Emkay Global Financial Services: Got it. So this brand itself was not acquired at that point in time.

Ashish: Yes.

Devanshu Bansal – Emkay Global Financial Services: Okay, fine. Thank you for taking my question.

Operator: Participants, please press star and one to ask a question. The next question comes from the line of Samir Gupta with IIFL Capital. Please go ahead.

Samir Gupta – IIFL Capital: Good evening, everyone, and thanks for taking my question. Firstly, on TCNS, I know it has been asked multiple times during this call, but we acquired the brand in October 2023, and it has seen consecutive years of decline on an overall basis.

I understand that when we acquired it, it was not in the best of health, but 2.5 years later, we are still cleaning up the non-retail portion. First, why is this cleanup taking more time? Second, by when do we envisage this being completed so that the overall business can return to a healthy growth trajectory?

Ashish: I think we have reached that point now. There was a lot of cleanup that had to be done with the old inventory, both in terms of quality and design sensibilities. That shift has been ongoing.

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It took time for us to understand the extent of the challenges the business had. As you know, the fashion supply chain is somewhat longer than those of other categories, and therefore, even when you find that out, the change takes longer.

However, I think we are past that. We are behind that phase. We expect that from this season onwards, which means from the festive period this year onwards, we will start to see the business turn around.

Samir Gupta – IIFL Capital: Got it. Regarding the profitability that you have achieved in this brand as the scale-up eventually happens, is the intention to scale up on that profitability?

Ashish: Sorry, I could not understand that part. Was that a question?

Samir Gupta – IIFL Capital: Basically, the profitability that has improved with this cleanup—would you want to scale up on that profitability, with no risk to profitability as you scale up?

Ashish: Yes, absolutely. We will scale up only to the extent that the profitability of the business is good. There is no hurry or need to scale up beyond that. We have taken quite some time to fix the business, and we would like to scale up only the quality and profitable part of the business.

Samir Gupta – IIFL Capital: Got it. My second question is on TMRW. This has also been asked, but perhaps you can elaborate on this specific point. Secondary growth was 16% for a portfolio where the expectation is more than 20%, and this business was probably the least impacted by lower weddings or the additional lunar month. Is there any particular reason why growth was below expectations even on a secondary basis this quarter?

Ashish: I do not think it is meaningful to look at it quarter-on-quarter because it varies. Last year also, the full-year growth was close to 25%, while the first quarter was close to 40%. So there is a base effect in some quarters.

I think the business has delivered consistent growth of more than 25% for the last several years. I think we are still on a good path to deliver that kind of revenue growth. At this point, I am not worried about one quarter being slightly lower.

I agree with you that this business does not have the impact of wedding dates or any of those factors, and therefore organically it should deliver growth of more than 20%.

Samir Gupta – IIFL Capital: That is helpful. Quarterly variations can happen, so I wanted to understand if anything specific had happened, but that is clear enough. My last question, if I may, is again on Galeries Lafayette. What kind of annual revenue run rate are you envisaging for FY27? That would be helpful from a modelling perspective.

Ashish: Let us allow it to experience at least 1 season before we comment on the number. As you know, we opened the store after the season last year. We have just gone through 6 months. Give us at least 1 more full season so that we have a good sense of the revenue base.

Samir Gupta – IIFL Capital: Secondly, on Galeries Lafayette, we read in an interview or media report that you plan to open another Galeries Lafayette store every 2 years. I wanted clarification from your

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end: is that the plan, or would we first want to see the performance of this 1 store before making further investment here?

Ashish: If you read the full interview in which it was covered, the comment was that after the business settles down, we have the opportunity to open a store in some part of the country every 2-3 years.

To clarify, at this stage we are focused on getting our Mumbai store right. Over the next 2-3 years, our goal will be to open a Delhi store, which, as you know, is the largest market in the luxury space. Therefore, that would be our next step.

Once these 2 stores start to deliver and reach some level of performance, we will look to extend beyond that, but that would be in the fifth to seventh years of the business.

Samir Gupta – IIFL Capital: Got it. This is very clear. Thanks, Ashish. I will come back in the queue for follow-ups. Thanks.

Ashish: Thank you.

Operator: Participants, please press star and one to ask a question. The next question comes from the line of Abhijit Kundu with Antique Stock Broking. Please go ahead.

Abhijit Kundu – Antique Stock Broking: Thank you for the opportunity. My first question was on Pantaloons. We have seen the facade changing and quite a bit of work being done on the visual merchandising. In all the stores that were somewhat old and have been changed, what has been the change in footfall or revenue growth in those stores? What are the targets in terms of store additions in Pantaloons? That is my first question.

Ashish: You are right. There are 2 things happening. First, our new Pantaloons stores are distinctively superior in every dimension—visual merchandising, store layout, the facade, the quality of the location, and the size, among other factors.

There is also constant and steady renovation of the older stores, where we are making a limited amount of change that is possible in an older store. This includes changes to the facade, cleaning up some of the displays, improving the visual merchandising, changing the displays, and reducing inventory.

On a pre- and post-renovation basis, those stores are delivering a distinctively higher level of performance, giving us confidence. This is why the number of stores that we are renovating is increasing much faster.

At this point, close to 150 stores in the network, which contribute more than half of the revenue, have undergone this change. We are confident that as we push this harder over the next few years, we will be able to change the experience across all Pantaloons stores.

The focus right now is on larger, more impactful, high-revenue-generating stores, which is where the work is being undertaken. As far as net store additions are concerned, we expect to add 20 stores this year, consisting of new stores.

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Abhijit Kundu – Antique Stock Broking: Understood. On the ethnic business, and also on the TMRW business, within ethnic, which parts are profitable and which parts are dragging down profitability? Is it just TCNS and Tasva?

Ashish: TCNS and Tasva are the businesses pulling down profitability.

Abhijit Kundu – Antique Stock Broking: The others are all profitable.

Ashish: Yes, the others are profitable. The {? Sabyasachi ?} portfolio is profitable.

Abhijit Kundu – Antique Stock Broking: Why has Tasva not yet achieved profitability? Is the scale of operations still low, are rentals higher, or what is pulling down profitability?

Ashish: I think the scale of operations is what we need to achieve. We were still at about 200 crore last year. The business is growing very well, at 35–40%. Wherever we operate, we are creating an impact and gaining significant market share. We are therefore very confident about the format.

The stores are doing well, and the consumer response is very good. It took us some time to master the supply chain and product architecture, but I think all of that is now in place. Now it is simply a function of growing the format.

Abhijit Kundu – Antique Stock Broking: What revenue level would make Tasva profitable, and what should we look for going forward?

Ashish: I think it would be double where we are today, between 400 and 500 crores.

Abhijit Kundu – Antique Stock Broking: Understood. Regarding TMRW, there is a mixture of brands, and you have made fresh investments. What would be the levers for profit improvement in TMRW? Would it be the scale of operations, or something else?

Ashish: No, Abhijit, I think TMRW has 3 levers.

The first is definitely growth. This is a high-growth business. We expect it to grow organically by 20–25%; you heard my response to the previous question. As consumers, particularly younger consumers, shop more and more online, this portfolio needs to have strong organic growth.

The first lever is therefore operating leverage arising from that growth, specifically scale. However, there is also a shift in the gross-margin profile of many of these brands. Many of these brands operated at much lower price points and had inferior unit economics.

That is the work the team has undertaken over the last 2–2.5 years. In a very concise way, we are converting brands that were promising but smaller into meaningfully large brands, premiumizing the product, expanding the categories in which they operate, and improving sourcing advantages.

That is the second lever, which will probably show up both in gross margin and in the price increases that these businesses are able to take to improve their unit economics. This is different from scale.

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The third part is costs. As you know, these businesses were acquired, and many of them are run by their founders and their teams. Over time, as these businesses scale up, and as we have also built a large team that is—

Management: Adding value, whether in design and sourcing, technology, or digital marketing, many of these initiatives will start to play out from a cost-leverage point of view as the organization starts to scale and becomes one organization.

All the levers are therefore available. That is why it takes 1–2 years before we get all of this right, but the business is on a strong growth trajectory. This quarter is the first quarter in which you have started to see losses also coming down.

We hope, and expect, this trajectory to continue over the next couple of quarters so that on an annual basis losses decline while we continue to maintain the momentum in revenue.

Abhijit Kundu – Antique Stock Broking: Understood. Thanks. That is all from my side.

Operator: A reminder to all participants: please press star and one to ask a question. The next question comes from the line of Prerna Jhunjunwala with LRA Capital. Please go ahead.

Prerna Jhunjunwala – LRA Capital: Thank you for the opportunity. I wanted to understand the Pantaloons format. You mentioned that there could be some inflation impact while you would not take price hikes. Do you see discounting in the system declining to combat inflation? What are full-price sales today, and what do you expect going forward?

Management: I do not think inflation necessarily leads to discounting. Discounting is often a function of a mismatch between sales expectations and inventory build-up versus actual performance.

Therefore, I do not see the second half of the year reflecting higher discounting because, very rarely in the fashion industry, is discounting a competitive lever. It is very often a correction lever as far as inventory is concerned.

As we said, one of the reasons for not increasing prices in line with the cost increase was that we believe this customer is ready for only a very marginal increase in her shopping habits. Therefore, we are trying to maintain volumes at this level, and hopefully there will be no discounting, although there might be an initial small negative impact on gross margins.

By keeping throughput superior and managing inventory well, we hope to keep overall margins at the same level.

Prerna Jhunjunwala – LRA Capital: What will be your expansion plan for Tasva, given that growth rates have been steady at more than 30% for many quarters and the format is now becoming stable? Do you have any other aggressive expansion plans to reach the higher volume revenues that would be required for profitability?

Management: This year, our plan is to add 25–30 stores to the current network of approximately 90 stores, which represents a 30% expansion of the network. We expect the growth rate to be in line

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with that, which is broadly what you saw in this quarter at 31% year-on-year growth.

A large part of this growth came because we had also expanded the network by about 20–25 stores last year. This year is slightly higher, but 25–30 stores is perhaps the right balance of growth.

Prerna Jhunjunwala – LRA Capital: What would be the like-to-like growth in this format?

Management: So far, over the last couple of quarters, we have been getting mid-teens like-to-like growth for a fairly long period. In many cases, the format was relatively new, and therefore we also saw many stores growing at 30–40% as the baseline was established.

Typically, what we have seen is that a store takes 6–9 months to reach a level where, during the first year to 1.5 years, you see 20–25% growth after that. However, 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 Jhunjunwala – LRA Capital: Regarding TMRW, why cannot you grow at a higher rate? If I look at the segment's top line, it is around 200 for the quarter, so annualizing it should result in around 800–1,000 crores divided between 6 brands. Ideally, growth should be more than 30%. That is how most D2C brands are growing when they are below 200 or 300 crores in size.

Could you help us understand which brands are growing faster than 20–25%, which brands are growing more slowly, and what is driving growth for the relatively mature or larger brands in the portfolio?

Management: Honestly, our growth rate for a large part of the business is in excess of 30%. If you exclude this quarter and go back and check the previous 4, 5, or 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, our growth rate itself was 35%.

This quarter is a slight aberration. I do not want you to take it as the base; it is a marginal blip in an otherwise strong performance with growth of more than 30%.

The reason I am discussing 20–25% growth at this point is that as we gain scale, we are also looking to improve unit economics, including profitability and the cost of customer acquisition. This might moderate growth from the mid-30s to the mid-20s or high-20s.

That is the indication we want to give because one of the tasks for this portfolio is also to improve the profitability of the business, apart from delivering organic growth.

Prerna Jhunjunwala – LRA Capital: When do we see profitability? Does the segment turn profitable as per your plan of growth and improving unit economics?

Management: We have said several times that FY29 is the year in which we expect TMRW to break even. FY29–FY30 is when we believe the business will become profitable.

Prerna Jhunjunwala – LRA Capital: Which brands are currently profitable, if any, and which will be the first ones to become profitable, in your opinion?

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Management: At the brand level, 2 out of 6 brands are already profitable. We will look to expand that portfolio. I do not want to provide individual brand-level numbers, as these are small brands at an overall level.

Most of the brands—our large brands—are between 200 and 300 crores, while our smaller brands are around 100 crores. At the brand level, we are close to achieving profitability in most of the brands, except 2 at this point.

The overall profitability also includes overheads outside the brands, which are corporate overheads. We have built capabilities at the central level in technology, digital marketing, sourcing, and design. These capabilities need to reach a level at which brand-level profitability adequately covers them, and that is why we are indicating FY29–FY30 as the period in which this will come through.

Prerna Jhunjunwala – LRA Capital: My last question is on capex. What is the capex plan for this year and next year, and how is it split between stores, non-store expansions, and expenses?

Management: Prerna, we have indicated approximately 450 crore, including capex and the working capital needs of all our businesses, for this year. Approximately 300 crore or more is capex, which will go into new stores and the renovation of stores for Pantaloons and others.

Prerna Jhunjunwala – LRA Capital: Understood. Thank you, and best wishes.

Operator: Thank you. The next question comes from the line of Aditya Soman with CLSA. Please go ahead.

Aditya Soman – CLSA: Good evening, and thanks for the opportunity. I have 2 questions. First, within premium ethnic overall brands, I see that the growth of Jaypore and Tasva is well ahead of the rest of ethnic. Is this simply a function of the brands and stores being relatively new, or are you seeing some differentiation in growth between the mass and mid-end segments and the premium end?

The second question is that we have seen several competitors launch their own quick-delivery initiatives. Is this something you are looking to do, or how has the response been for you if you are listed on any of the other platforms?

Management: Aditya, Jaypore and Tasva are still very small in terms of size. While we are happy with their growth rates, they are coming off a much smaller base. These businesses are still in a growth phase, and therefore those numbers currently look much stronger than those of some of the mature businesses.

As you heard from Jagdish's commentary, in some ways we are a company with a portfolio of businesses that are 20–25 years old and strong, but their growth rate has been modest compared with multiple newer businesses or smaller businesses. Whether new or small, those businesses have significantly higher growth rates. I would not read anything more than that into the segment.

On your question about quick commerce, most of our current quick-commerce efforts are around TMRW, where we are building capabilities at a central level for TMRW brands because we expect younger customers to adapt to quick commerce and fashion somewhat faster.

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There has been internal development, and we are testing in some cities to determine whether quick commerce also drives demand in that category. We are finding some positive traction. We also need to examine the unit economics and how we distribute inventory across multiple locations.

This is something we are not going to rush into. We are also participating with the partner ecosystem, including Zepto, which is a third-party quick-commerce player. It is much smaller in this segment outside TMRW brands because most of the other brands are either more expensive or purely retail.

Pantaloons and the other businesses are currently focused on physical retail, and therefore that part of the segment is not exploring quick commerce, other than the small partnerships that Pantaloons is testing. Most of it is in TMRW.

Aditya Soman – CLSA: Understood. Very clear. Thanks.

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

Parth Shah – Bernstein SG: Thank you for taking my question. Am I audible?

Management: Yes, you are.

Parth Shah – Bernstein SG: Thanks. I wanted to check again on input costs. I think you mentioned that there has been 4% inflation in at least some part of the business. Do we see incremental effects occurring in Q2 or the second half of the year as well, or is this largely already done for the overall portfolio?

Management: No. In fact, Q1 has not seen much of the cost pressure. Most of it is likely to occur in Q2 and Q3 at this point.

Parth Shah – Bernstein SG: Got it. So we should expect some pressure on margins, and you said you will most likely not be taking significant price increases as of now?

Management: Yes. Since the pressure is more on Pantaloons and On, which are at the value end of the business, we will have to absorb some of these increases.

Parth Shah – Bernstein SG: On the value end, you mentioned that competitive intensity is also quite high. Is this simply because there are a larger number of players? Is there more discounting happening right now because sales are slower? Within that context, are you seeing a difference between larger cities and Tier 2 towns? Is there anything you can share on that?

Management: I do not think I mentioned competitive intensity. I do not think it came up in the previous questions. However, there are multiple players, but the size of the pie and the size of the market are significantly large in this space. Therefore, you will see multiple players operating over a period of time.

Right now, we are very small, with fewer than 100 stores in a potentially very large market. We are therefore more focused internally on getting our economics right at this point.

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Parth Shah – Bernstein SG: Got it. One last quick question: for TMRW, what level of store additions are you expecting? Since you said like-to-like growth would be around mid-teens, would 5-10% be the right estimate, or is there another number?

Management: I am not sure what TMRW store additions you are referring to. You mean TMRW?

Parth Shah – Bernstein SG: Yes, for TMRW. I think you mentioned in the presentation that offline store additions have been doing well.

Management: We have close to 140 stores in TMRW because we want to convert these brands into truly omnichannel brands, with a large digital and online presence complemented by a reasonably small but meaningful offline presence.

This year, we expect to add more than 75 stores across the TMRW brands portfolio.

Parth Shah – Bernstein SG: Okay, got it. Thanks. That is all from my side. Thank you.

Operator: The next question comes from the line of Kunal Shah with NM Asset Management. Please go ahead.

Kunal Shah – NM Asset Management: Hi, this is Kunal from NM Investment. Thanks. Most of my questions have been answered. I have just 1 question. In the Collective and monobrand business, how has profitability behaved excluding the Galeries Lafayette investment?

Management: It is a steady business. Profitability has been in the mid-teens to high-teens. This quarter was relatively lower, at around the mid-teens, but the Collective and monobrand business has been very steady in that sense.

Kunal Shah – NM Asset Management: Got it. Great. Thank you so much.

Operator: 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.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.