



“Aditya Birla Lifestyle Brands Limited
Q1 FY '26 Earnings Conference Call”
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LIMITED**

Moderator:

Ladies and gentlemen, good day. And welcome to first quarter earnings conference call of Aditya Birla Lifestyle Brands Limited. The call will begin with a brief discussion by the company's management on Q1 FY '26 performance followed by a question-and-answer session. We have with us today Mr. Ashish Dikshit, Managing Director, ABLBL; Mr. Vishak Kumar, Deputy Managing Director and CEO, ABLBL; Mr. Dharmendra Lodha, CFO, ABLBL. I want to like to thank the management team on behalf of the participants for taking valuable time to be with us.

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

With this, I now hand the conference over to Mr. Dharmendra Lodha. Thank you, and over to you, sir.

Dharmendra Lodha:

Thank you. Good afternoon, everyone. Welcome to the Q1 FY '26 earnings call for Aditya Birla Lifestyle Brands Limited. Thank you for joining us today. This quarter marks our first earnings announcement post-demerger as an independently listed entity with our results shared yesterday. As of 1st May 2025, demerger is effective with a seamless transition across all fronts from front-end and back-end systems to employee records and operational processes.

All our point-of-sale or MBO outlets, e-commerce and retail stores are now fully integrated under Aditya Birla Lifestyle Brands Limited, ensuring business continuity and readiness for the next phase of growth. As we look back on the first quarter of this fiscal, the consumption environment remains sluggish with apparel market displaying selective pockets of growth, largely fueled by wedding season. Although broader industry sentiment remains cautious, ABLBL maintained its strong growth momentum. We posted another quarter of industry-leading, strong double-digit same-store sales growth across all our branded portfolio over a large network of stores.

Coming to the financial performance for the quarter, ABLBL delivered a resilient performance this quarter. Lifestyle Brands grew at 6%, powered by 15% like-to-like growth in its retail channel, while the emerging businesses grew slower primarily due to closure of Forever 21. Our Absolute EBITDA was higher year-on-year at INR286 crores versus INR283 crores in quarter one last year, despite amplified investment in marketing. This resulted in a delivered EBITDA margin of 15.5% versus last year's 15.9%.

PAT came in at INR24 crores, up by 5% year-on-year. Adjusted for the incremental ad spend, the PAT would have been INR54 crores for the quarter. As we move towards the second half of the year, we expect the profitability to be even higher.

Our footprint extends across 3200 plus stores, covering a total store retail area of 4.6 million square feet, an expansive network that allows us to fulfil the fashion needs in a diverse country like India, from large to small towns, from malls to high streets. Our distribution is a foundational pillar for our strategy that keeps us connected to our consumers across the country.

About the Lifestyle Brand, in quarter one, our brand sustained exceptional momentum, delivering an industry-leading retail like-to-like growth of 15% across a robust network of 2,900 plus stores, marking the fourth consecutive quarter of strong LTL performance. This quarter's 15% LTL growth was preceded by 9% and 12% LTL growth for Q3 and Q4 of FY '25, reflecting the underlying strength of the brand and high-quality retail execution.

Revenue for the quarter rose 6% year-on-year to INR1,570 crores, with an EBITDA margin of 17.9%. The portfolio expanded its footprint further with 40-plus gross stores addition during the quarter by curating high-impact merchandise collection, executing compelling storytelling and running powerful marketing campaigns. We are not only strengthening brand equity but also deepening consumer connections. These efforts position the business to capture sustained growth opportunities and reinforce its leadership well into the future.

Youth brands and the Innerwear portfolio, which includes Reebok, American Eagle, and Van Heusen Innerwear, continued its strong and profitable growth trajectory in Q1. The portfolio delivered a robust 10% like-to-like growth, given by ongoing initiatives to enhance store productivity, strengthen product assortment and sharpen consumer engagement. The overall revenue of this segment was marginally impacted due to the closure of Forever 21 last year.

Profitability improved meaningfully, with margins expanding by 170 bps year-on-year, reflecting operational efficiencies and a sharper focus on profitable growth levers. Youthwear and Innerwear segments remain a key contributor to ABLBL's growth ambitions, with ample headroom for expansion across channels.

To conclude, ABLBL today stands as India's most formidable premium Lifestyle Brand platform, anchored in decades of operational excellence, powered by a portfolio of iconic brands, driven by an innovation-led culture and supported by an exceptional talent base. These strengths uniquely position us to sustain our momentum, strengthen our leadership, and capture the abundant opportunities available across the western fashion and lifestyle landscape.

We are now well positioned to accelerate our growth trajectory driven by accelerated pace of store additions over the next three quarters. Alongside, we will also continue to strengthen our channels of distribution, building a comprehensive approach to reach consumers wherever they shop.

With the festival season arriving early this year, we are well-placed to capture consumer demand through compelling product stories, immersive retail experiences and strengthened presence, ensuring ABLBL continues to deliver profitable growth while deepening its connection with consumers across the country.

We are open to questions now. Thank you.

Moderator:

Thank you, Mr. Lodha. We will now begin the question-and-answer session. First question is from the line of Archana Menon from Morgan Stanley. Please go ahead.

Archana Menon:

Hi. Thank you so much for the opportunity. My first question was on the channel mix. So, you like you mentioned in your analyst -- during the Analyst Day that incrementally a majority of

the growth will be led by the retail channel. But just wanted to understand when you're talking about double-digit growth for the next few years, how are you thinking about growth from the non-retail channel and specifically for the e-commerce, we've seen declining trends in the last three quarters. Do you think majority of the channel correction is now behind us?

Ashish Dikshit:

Vishak, do you want to come in on this?

Vishak Kumar:

Yes. Our growth for the quarter. Had it been outside of e-commerce, we would have had a 10% plus growth. You're absolutely right in pointing that out. So clearly a lot of our growth engine is built around retail, both retail expansion, as well as in-store growth. Having said that, all channels are important to us. We want to be there where consumers want us to be.

I think a large part of the corrections around e-commerce are more or less done. We expect not lot in the rest of the year, maybe a little bit more in Q2. But after that, we should be able to see a positive trajectory on e-commerce as well. It is a part of business where, like I've said earlier, we've had a need to do discount correction, etcetera, to bring the profitability profile right on track. I think we are moving in that direction, Archana. So we should see that. Having said that, for the longer term trajectory, definitely our biggest fuel for growth is going to be our own retail.

Archana Menon:

Understand. Just following up on that, within the wholesale channel, what is the mix between department stores and MBOs?

Vishak Kumar:

So it's -- I'm sure we can give you numbers separately, but more like 60-40 perhaps. But I can give you exact numbers. We have a fairly robust trade business as well and that also continues to grow quite steadily.

Archana Menon:

Understood. My second question was more on the marketing spend. So for FY '25, your marketing spend was around 3.3% of revenue. This quarter, it seems higher at around 5.5%. So how are you thinking of marketing going ahead?

Vishak Kumar:

So, that -- there is also a very large media event which gets created in the first quarter, which is around IPL. And we took on the position of an associate sponsor, which gave us significant gains in terms of brand equity, brand visibility, etcetera. But, yes, it does come with a significant outlay in one -- just one quarter. So it is something we consciously went into and we did that.

And the results are there to see in terms of same-store growth. It also shows in the brand tracks that we do in terms of brand salience. So that was important for us. We will continue to be a group of brands which will invest significantly in advertising. We have to constantly find ways by which we stay relevant to consumers and communicate the latest stories, innovations, etcetera. So that will be a part of what we do.

Archana Menon:

Understood. So, Vishal, is this more of a timing issue? And for the full year we should -- should we still be around that ballpark 3%, 3.5% sort of level?

Vishak Kumar:

Yes. Yes. It won't be as dramatic a shift as we saw in Q1. While we do want to spend a little more on advertising, it won't be as dramatic as you saw in Q1.

- Archana Menon:** Got it. And last question for me was on the store addition. I'm very happy to see the comment in the PPT that going ahead we should start seeing some store editions coming in on a quarter-on-quarter basis. But when you look at the longer term, the 250 store addition target for the year, how are you thinking of that between the Lifestyle Brand and say a Reebok?
- Vishak Kumar:** Okay. Happy to say that I've just cut one ribbon at our new small town store of Reeboks today in Gaya, in Bodh Gaya. So that piece has also started. I think it is going to be across the portfolio, Archana. I think we want to have -- there are market opportunities. Even as I was roaming through the streets in Gaya, I realized that we could have at least two more stores for our brands in this market.
- We have only four stores in this market. So I think there is going to be expansion across brands. So it is not just going to be Louis Philippe, Van Heusen, Allen Solly and Peter England. There is opportunity. A lot of -- we have catching up to do in Reebok. We will keep scaling up across brand formats, Archana.
- Archana Menon:** Got it. Thank you for taking my question.
- Vishak Kumar:** Thanks, Archana.
- Moderator:** Thank you. Next question is from the line of Gaurav Jogani from JM Financial. Please proceed.
- Gaurav Jogani:** Hi, sir. Thank you for taking my question. So my question is with regards to this LTL. You have mentioned that the LTL has been strong at around 15%. And however, the net revenue growth is 6%. So I am assuming a lot of this is also to do with a lot of store closures that have happened. Would that be a right understanding?
- Ashish Dikshit:** No, Gaurav. I think on a network of 3,000 odd crores, incremental small store changes don't make a difference. So that is negligible. This LTL is indicative of the strength of the overall network, because 40, 50 stores here and there don't change anything on a 300 -- 3,000 store network. So remember the base on which we are talking about. And therefore, store closures have practically no impact on delivered LTL of 3,000 store network.
- Gaurav Jogani:** Also, sir, pardon my ignorance, but the retail LTL is at 15%. However, if you look at the total growth for the retail format is 12%. So just wanted to reconcile this difference.
- Ashish Dikshit:** Yes. Yes. So that's a function of the store closures that have happened over last 12 months, which is in the Q1 of this one and Q1 of this year. So that's a nine-month incremental. So not about this quarter's closure, but that's about 12-month store closures.
- Gaurav Jogani:** Okay. Okay. Sir, my next question is with regards to the losses now in the other parts of the business, that is the Youthwear brand and Innerwear. I mean, I understand that there has been a drag of Forever 21 last year, which should not be there this year, which would incrementally help us to improve the profitability. But how are we tracking on the plans of profitability improvement in the Innerwear piece of the business, as well as the Reebok side?

- Ashish Dikshit:** So I think I'll keep it simple. Innerwear losses were not substantive, but then this quarter they have reduced further. It's half of what we had last year. So it's coming into a very manageable trajectory now.
- Gaurav Jogani:** Okay. So, can we expect Innerwear to at least break even this year or would that be FY '27?
- Ashish Dikshit:** On a full year basis, you're asking? Full year basis will be FY '27.
- Gaurav Jogani:** Yes. The full year.
- Ashish Dikshit:** That'll be FY '27.
- Gaurav Jogani:** '27. Okay. Okay. And sir, lastly, I mean, given that, this time around the festivities are a bit earlier in Q2. So do you expect Q2 to start gaining that momentum of revenue that you were expecting? And from there on, do you expect this to sustain going ahead? Are you seeing any green shoots in terms of demand pickups? Anything that you would like to comment?
- Ashish Dikshit:** So I think if you look at, Gaurav, the momentum that the business had, and Dharmendra in his opening remarks talked about, this is a third quarter, which is nine months of 12%, 9% and 15% growth rate over 3000 store network on a like-to-like basis. I would say both, it reflects the strength of the brand, but also improving fundamentals that we are beginning to see. I don't want to comment too early on what the rest of the season will be. We have seen these things shift over a period of time. But at this stage, we feel quite optimistic about as we walk into Q2 with this kind of momentum that the business is showing.
- Gaurav Jogani:** Okay. Thank you.
- Moderator:** Thank you. Next question is from the line of Kunal Shah from Jefferies. Please proceed.
- Kunal Shah:** Hi. Thank you for the opportunity. My question is on your channels other than retail. So over the last year and a half, you've done quite a bit of consolidation, closing some non-profitable accounts. There have been some external factors as well, which has shrunk this revenue pool. Can we say that most of it across all these channels is now behind and this revenue run rate, which you see today, should sustain and improve from here on? Or there are still more accounts or areas where you would look to consolidate going forward as well?
- Ashish Dikshit:** I think, Vishak had said in Kunal in the answer to the first question. I think most of it is bottomed out in retail, in wholesale and e-commerce. Vishak, you want to add any further than what you've said before?
- Vishak Kumar:** No. Absolutely. I think, Kunal, most of the network correction in department stores is done. Okay. There will always be addition, deletion, fine tuning, but the heavy lifting is done, Kunal.
- Kunal Shah:** Understood. Understood. Yes. My second question is on the other brands' piece. So what would be the growth like, let's say, this quarter, if you were to take out the fast fashion business from the base, if you can give some sense? And if you can give some color on, let's say, individual pieces and how have they done from a top line standpoint?

- Ashish Dikshit:** So, marginal growth, not very strong growth in Innerwear. Reebok obviously has a stronger like-to-like growth, but overall growth in Reebok is also very small. So, combined together, this quarter, the new business haven't contributed as much to the overall growth.
- Vishak Kumar:** Yes. Kunal, I would just add that in a brand like Reebok, it's also a significantly primary sale-driven number reporting. So there will be these ups and downs. It had a 9% like-for-like, which again tells you that the overall business was good, but there has been -- some of the impacts are on primary business, which is what has led to the lower growth in Reebok.
- Kunal Shah:** Understood. Understood. That's clear. And my final bit was just a bookkeeping one. If I remember correctly, capex for this year would have, I mean, your guidance earlier was around INR200 crores, INR250 crores. That stays, right? There's no change to that number?
- Ashish Dikshit:** Yes. That stays. That stays.
- Kunal Shah:** Understood. Thank you. Thank you for that.
- Moderator:** Thank you. Next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Hi. Thanks for the opportunity. Our FY25 debt was closer to INR700 crores, so wanted to check what is the level at the moment.
- Moderator:** Sorry to interrupt, Mr. Devanshu, your voice is breaking.
- Devanshu Bansal:** So our FY '25 when debt level was around INR700 crores. I wanted to check what is the level as of Q1 end?
- Ashish Dikshit:** So our debt went up by about INR200 crores as we build up inventory in this quarter for festive period. So that's up by about INR200 crores end of this quarter, over March period.
- Devanshu Bansal:** So then, Ashish, do you see this panning out towards what is the level expected by FY '26 end?
- Ashish Dikshit:** I don't think we've given an exact number, but we expect between INR200 crores to INR300 crores reduction each year. And that's why we had indicated an overall debt-free status in two and a half years to three years.
- Devanshu Bansal:** Okay. So that should ideally happen this year as well, right?
- Ashish Dikshit:** Yes.
- Devanshu Bansal:** Yes. Okay. And second question, Vishak, you indicated direction is largely done in the wholesale channel.
- Vishak Kumar:** Yes.
- Devanshu Bansal:** I wanted to take...
- Moderator:** Sorry, Mr. Devanshu, your voice is breaking in between, sir.

Devanshu Bansal: Maybe I'll join back...

Moderator: Yes. Your voice is not clear, sir.

Devanshu Bansal: Okay. Yes. Thank you. Go ahead.

Moderator: Okay. Yes. Thank you. Next question is from the line of Preeyam from Antique Stock Broking. Please go ahead.

Preeyam: Yes. Hi, sir. I just wanted to check, in your opening comment, you mentioned that you'll be growing to double-digit for the next few years.

Ashish Dikshit: I didn't get the question. What is it?

Preeyam: Sir, you said, I think, I missed on the initial part of your comment. I think you said -- you mentioned that the double-digit growth for the next two years.

Ashish Dikshit: So in our analyst meet is what you're referring to. We did indicate...

Preeyam: Okay. Yes.

Ashish Dikshit: Yes. Yes. We did indicate double-digit growth for a Lifestyle Brands portfolio. For the other businesses, the growth will be slightly higher, of course, in double-digit itself, but slightly higher double-digits.

Preeyam: Okay. Sir, actually, I will be covering this part of the business for the first time. It would be great if you can provide the annual financial numbers for the two years, past two years, FY '24- '25. Is it possible? Balance sheet...

Ashish Dikshit: I think we will connect -- maybe after the call, you can connect with either Dharmendra or Amit and go through that. Yes.

Preeyam: Yes. Thank you.

Moderator: Thank you. Next question is from the line of Sameer Gupta from India Infoline. Please proceed.

Sameer Gupta: Hi. Hi. Good evening. Good afternoon, sir. Thanks for taking my question. Specifically, sir, firstly, on Innerwear and athleisure. This quarter, I heard you mentioned to, Kunal, this has been a marginal growth. Jockey has also struggled with low growth, whereas the mass-end brands, that if I look at Dollar and Lux, they have reported pretty good numbers around 10% -- 12% and 19% growth.

So I just wanted to understand, is this a highly competitive space where the competition has increased further, people are down trading? What exactly is going on? Because Innerwear as a space has been, there was an expectation that now athleisure has bottomed out and now it is poised for growth, but we are not seeing that happen.

Ashish Dikshit: No. You are right. I think we were also expecting growth to come back a bit faster. I would not at this point assume a very heavy down trading or something because the premium end of the market is actually only now sort of surfacing and growing. I do expect at this point of time, we expect the growth to come back sooner than that, although it was lower than our expectation in this quarter.

Sameer Gupta: And any specific comments on the ground, what is going on? As in -- are you losing shelf space? Is it just a footfall issue, because...

Ashish Dikshit: No. I...

Sameer Gupta: Pronounced.

Ashish Dikshit: I do not really think anything materially different is happening right now. We will, of course, keep a track over a longer period of time and come back if there is a greater sense of anything that causes concern. I honestly do not believe at this point of time there is anything to be structurally worried about.

Sameer Gupta: Got it. Got it. That helps. Second, on Reebok, again, you mentioned how primary is pulling it down, but if you can just help me out with the channel mix here. Apologies if you have given it earlier. I may have not noted it down, but how much would be retail, online, wholesale, any other channel that you operate here?

Ashish Dikshit: Okay. So, typically, I will give you rough percentages. A retail channel is close to about 50%, which includes all forms of retail, direct retail, which large part is primary. There is small direct secondary retail, which is the concession or consignment retail, and there is outlet retail. Together, they form about half of the business. The wholesale channel, which includes trade and department store, is about 10% to 15%. E-commerce is about 20% to 25% and there is a small institutional business. So, that is really the breakup of channel on an annual basis.

Sameer Gupta: Sir, when you say the primary portion, basically, it is your franchisee-owned EBOs to which you sell similar to what you do...

Ashish Dikshit: Yes.

Sameer Gupta: In some part of your Lifestyle business.

Ashish Dikshit: Yes. Yes. So, Lifestyle Brands, no, no. Just to clarify, Lifestyle Brands don't have a retail, which is wholesale retail, where we build a franchise. Lifestyle Brands, entire retail business is consignment retail, which means we build directly to consumer, even if the store is invested by a franchisee. Unlike that, Reebok, because that is the way we inherited the business, 60% of retail is built to a franchise, and therefore, Reebok business has more of this quarterly aberrations because of primary and secondary.

Sameer Gupta: Got it. Got it. But if you were to give me a number on the end consumer sale, I am sure you would be tracking that.

Ashish Dikshit: What -- which is what Vishak was trying to...

Sameer Gupta: About 9%.

Ashish Dikshit: That's right. About 9% like-for-like. Yes.

Sameer Gupta: Okay. Okay. Got it. Sir, just a thought here on Reebok. I mean, it's around INR500 crores, and when you had inherited it two years back, there was an expectation of accelerating the CBO footprint. If I remember correctly, you inherited it with 120 stores, currently at 170 stores. So, we haven't seen a takeoff here and there is no profitability issue. So, what's holding it back?

Ashish Dikshit: So, it was a difficult transition, Vishak, maybe you can throw a little bit of color on the network that we sort of inherited...

Vishak Kumar: Yes.

Ashish Dikshit: And what you did. Maybe you can talk a little bit about that. Yes.

Vishak Kumar: So, I mean, first of all, we got 90, not 120, okay.

Sameer Gupta: Sorry.

Vishak Kumar: And even in that, there were many which needed a lot of corrections, etcetera, some which we had to take over. So, there was a negative of the primary sale and we had to take it over. So, we went through a lot of transitions like that, and various channels, a lot of repair work had to be done. So, it's been a gradual transition.

As we speak, we are at 180 plus. So, we were about INR200 crores and we were 90 stores. So, we are now close to INR500 crores and we are about 180 stores, which is double the network. And I think we have another pipeline which is also fairly strong. My sense is it's on a fairly steady wicket and it will continue to grow fairly robustly for some years to come.

Ashish Dikshit: I think in summary, transition, we lost both time, network, and some of the challenges that business was facing at that stage. So, almost a year, year and a half, we took to both clean up the network inventory and some of the operating model issues. So, what you're seeing now is a rapid growth of the business. I mean, despite all that, as Vishak said, we've grown by 2.5 times in this and will continue to grow.

Vishak Kumar: I also want to add that we had a fair speed breaker through BIS also, which we had to surmount. And we got past that with all the BIS licenses, which were required for various factories, etcetera. So, yes, I mean, it's been a lot of those challenges that we've been through. But if you see the kind of product, if you see the kind of stores and the consumer experience, etcetera, I think, we're on to a fairly good thing.

Sameer Gupta: Got it. And sir, I'm sorry if I missed this, but what are our targets here?

Ashish Dikshit: So, a longer term in our investor presentation that we had talked about in a meeting a couple of months back, we had looked to grow at in excess of 20% as far as this part of the portfolio is concerned.

Sameer Gupta: And just one last on this. Sir, do we plan to correct this channel mix? Because traditionally, we have always been a consignment model. And here...

Ashish Dikshit: Yes.

Sameer Gupta: We are billing to franchisees. So, do we want to correct this going forward? Is it a legacy?

Ashish Dikshit: Vishak, do you want to talk. Go Ahead.

Vishak Kumar: Yes. So Sameer, it's not a zero or one. We have very deep partner relationships with many of the franchises whom we inherited. And they are fairly comfortable in this method of operation. Having said that, we've also parallelly opened many other stores which are consignment stores also. We must respect some of the franchises who had a lot of skin in the game in the way they buy, the way they are sought for their stores, etcetera So, that is something which continues. Many of the new stores we've opened have been on consignment as well.

Sameer Gupta: Okay. I mean, it's not a bottleneck, right? I mean, having two, three different models, it just increases complexity. That is not a problem, right?

Vishak Kumar: Not really, because it's the same replenishment system. We have a fairly advanced methodology for replenishment, etcetera. But we do have a lot of knowledge which resides in these franchises when it comes to buying for seasons, etcetera, which we do want to tap into.

Sameer Gupta: But you still don't have control on inventory and there could be discounting which affects your brand in some ways.

Vishak Kumar: No. No. End consumer pricing is completely decided by the company. It's across channels, across stores, across networks. It's one pricing. It's complete parity across that.

Sameer Gupta: Got it. That's super helpful. Thanks again...

Vishak Kumar: Yes.

Sameer Gupta: For taking all my questions. Come back in the queue for any follow-ups here.

Vishak Kumar: Thanks, Sameer. Thanks.

Moderator: Thank you. Next question is from the line of Niharika Karnani from CapGrow Capital. Please proceed.

Niharika Karnani: Yes. Hi. So, I have a couple of questions here. First is, now since the cash won't be going to the other segment of the business, which was getting invested into ABFRL pre-demerger. How do we plan to use the cash apart from debt retirement? And second question, sir, if we see Lifestyle Brands are growing at a stable rate of 9%, 10%, 11%, so would it be correct to say that the revenue growth drivers would be the other segment of business, say, American Eagle, Reebok, and Innerwear? If so, when would we see them contributing meaningfully to the growth?

Ashish Dikshit:

So, Niharika, I think, I answer to your first question. You're right. The cash generated by this business in the past has -- was used to actually kick start or acquire multiple new businesses. And the whole purpose of demerger was actually to need the cash for this business to grow faster. So, the first use of cash would be to accelerate the growth in the businesses that we have.

And that's not just about new businesses like Innerwear, Reebok, even the Lifestyle Brands business have a large growth opportunity. And initially, therefore, you would have heard the previous question, the investments in capex, particularly in retail, will be higher to accelerate the growth. Only the subsequent part will go towards debt reduction.

Also, to your question about how will the growth rate pan out? I think Lifestyle Brands are showing very robust, intrinsic and organic growth with double-digit like-to-like over a sustained period of time. We will, therefore, multiply that by increasing network more rapidly than what we have done in the last one year or two years. Obviously, the smaller businesses have a smaller base, and therefore, in percentage terms, they will grow faster. We expect the newer business to grow anything between 18% to 20%, while Lifestyle Brands business will grow in early double digits.

Niharika Karnani:

Understood. And my next question is, we know that marketing spends went up this quarter, but is there any other expenses? Because we can see other expenses have shot up in this quarter. Apart from ad expenses, do we see increase in expense of other line items?

Ashish Dikshit:

I don't think materially it's anything dramatic that could have happened. We'll probably come back if...

Vishak Kumar:

Yes. Non-shrinking depreciation, Ashish. Other than that, no other dramatic change.

Ashish Dikshit:

So, I don't -- I think you're talking about other expense line items. So, we'll look at it. I don't think there is anything exceptional.

Niharika Karnani:

Okay. Okay. Thank you so much.

Ashish Dikshit:

Thanks, Niharika.

Moderator:

Thank you. Before we move to the next question, a reminder to the participants, to ask a question, you may press star and one. Next question is from the line of Varun Singh from Alfa Accurate Advisors. Please go ahead.

Varun Singh:

Thank you. Sir, my first question is, how do you define like-to-like revenue growth? What is it that you count for this growth calculation?

Ashish Dikshit:

Stores opened this year i.e. FY26 are new stores; Stores opened last year i.e. FY25 are annualized stores; LTL stores are those stores that opened on or before 31st Mar 2024 for FY26 LTL stores.

Varun Singh:

So, in the PPT 3,230 brand stores, you consider, I mean, this is the store that you count for that computation?

Ashish Dikshit:

Of this 3,200, roughly about...

Varun Singh: It should be the EBO.

Ashish Dikshit: Yes. Yes. Of this 3,200 EBO, what we count is, we leave out the stores which may have, let's say, opened this year, but were not present last year. Also leave out stores that opened in FY25. We consider stores that opened on or before 31st Mar 2024 for FY26 LTL stores.

Varun Singh: Yes. Yes. Of course.

Ashish Dikshit: We also leave out the stores which were there last year, but are not there this year. So, about 8% to 10% of stores will be falling in these two-three buckets which go out. But most of the network is part of LTL bucket (~90% of total)

Varun Singh: Hello? Hello? Yes. Yes. I can hear you now.

Ashish Dikshit: Okay. So, did you get the answer?

Varun Singh: No. No. So, in that context, when you say 3,230 brand stores, so the count, for example, is in one store, there are two brands. The count is two or is that just one?

Ashish Dikshit: Sorry, I didn't understand.

Vishak Kumar: One store is one brand.

Varun Singh: One store is one brand.

Ashish Dikshit: So, I think it will be about 3,000 odd stores.

Varun Singh: Sure.

Ashish Dikshit: This is cumulative of all brands, individual stores put together is 3,230.

Varun Singh: Okay. Understood. So, and when you say 4.6 million square feet footprint, so this is the cumulative footprint of all the 3,230 exclusive brand stores of all brands individually. My understanding is correct.

Ashish Dikshit: Yes. That's right.

Varun Singh: All right. Understood. So, and my second question is, sir, what is the guardrail that you are using to plan retail area expansion? So, I mean, how are you thinking about expanding the footprint, which is 4.6 million square feet as on today? And the second order question is, how do you maybe discriminate between the area expansion, for example, which brand you prefer and how to allocate the capital between all the perspective brands that we have as on today?

Ashish Dikshit: So, I think first question, we do have, as a business, enough cash generation to be able to afford entire expansion for all the brands. Having said that, a significant part of our retail expansion comes through franchising, which doesn't require our capital. So, capital allocation question is not very relevant in context of this portfolio of the brands in this company.

The second question is each brand has a long-term strategy in line with where its consumers are, where its current presence is, and there is a plan that is laid out and we individually look at it at the beginning of the year, the plan is -- and each of the brand puts together that plan, which is run by a common central team, which does the store acquisition.

Varun Singh:

Sure. Understood. Thank you very much and wish you all the best.

Ashish Dikshit:

Thank you.

Moderator:

Thank you. Ladies and gentlemen, request you to please be more strategic, please ask the question related to strategy and housekeeping question could be handled by IR team. Next question is from the line of Akhil Lukose from Flipkart. Please go ahead.

Akhil Lukose:

Hi. Thank you for taking my question. Mr. Vishak, could you please quantify or add some color on the impact of Forever 21 towards the negative growth of Youth brands and Innerwear brands?

Ashish Dikshit:

We don't give exact numbers at the brand level. But it was a brand which was meaningfully small at that point of time also last year. The total revenue difference is not material in the overall scheme of things.

Akhil Lukose:

If you could also mention what factors are leading to a negative growth in these brands' portfolio?

Ashish Dikshit:

So there is a small base. Vishak explained about the primary billing to secondary billing as far as the Reebok business was concerned. Innerwear also we discussed. These are two large constituents. Yes, so primary reason for the slow growth in this segment was the difference between primary and secondary billing in Reebok.

Akhil Lukose:

Got it. Got it. Thank you. No further questions.

Moderator:

Thank you. Next question is from the line of Sameer Gupta from India Infoline. Please proceed.

Sameer Gupta:

Hi, sir. Just wanted some bookkeeping questions. I noticed that we still have a large working capital in this business for FY '25, which is around INR5,500 crores, if I look at just the inventory receivable and creditors. So, sorry, not INR5,500 crores, my mistake. It's around INR1,300 crores, which is sizable.

And traditionally, before the merger-demerger happened, we used to be a very light working capital business in which most of the inventory was taken over offset by creditors. So, first, can we revert back to that original or that lower lean working capital kind of a model or the current revenue doesn't allow to go back there?

Ashish Dikshit:

No. So, first of all, let me reassure you that there's not been any big shift from our past trajectory. This is a very steady business, and therefore, what you were probably seeing was the combined businesses across the portfolio. And when you pull out, this business has been pretty stable in that sense. The net working capital turn at different points and it keeps changing during the course of the year, has been ranging between 13%, 14% to 15%, 16%, 17%, depending on which quarter you're looking at and that's been the range that we've been operating.

- Sameer Gupta:** So my question is a little on the future also. So what kind of working capital cycle do we expect for this business now and the path to it?
- Ashish Dikshit:** So, as I said, this business has been very stable in the shape of the business and nature of the business. And therefore, the working capital cycle, which is between 13% to 15% is where we will mostly operate. It will obviously continue to improve over a period of time as some of the smaller businesses start to scale up a little bit more, because those businesses currently, because of lack of scale, don't have the same time of capital productivity and inventory turns that our larger businesses have.
- So it will continue to improve as we go forward, as smaller businesses get the productivity of some of the larger businesses. But it would remain in the range of early double-digit net working capital as % of sales.
- Sameer Gupta:** Got it. And what kind of capex you're expecting for the coming years and the use of that capex? Because I understand that a large part of the network expansion is on franchisee books. So we should be typically a very capex light model.
- Ashish Dikshit:** So there is once in a while -- so we have three uses of capex. One is obviously the retail capex, because as we expand network more aggressively, our own direct capex will start to grow a little bit higher as a bearish ratio. We had indicated around INR250 crores of annual capex and that's the number that we'll stay with. At this point of time, it will consist of retail capex. There is capex that the brands put in department store or shopping shops wherever they create that presence.
- Once in a while, like we have currently completed, we have a factory operation, which I don't see in next two years, two and a half years. But once in three years, four years, there is a small bit of manufacturing increase and little bit of manufacturing sort of refurbishment that comes in. And some part of capex, not very small, but some part of the capex also goes in refurbishment of stores. So mostly in retail, either opening new stores or refurbishment, but a small path towards warehouse infrastructure, little bit in manufacturing, and as we're going forward, little bit in technology.
- Sameer Gupta:** Got it. That's all for me. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Hi, sir. Sorry for the disturbance earlier. I wanted to check out of the four brands, Allen Solly and Peter England stand higher in terms of consumer top of the mind, while the other two, Van Heusen and Louis Philippe sort of rank relatively lower. So wanted to check which brands are going to drive the next level of growth for us. That's point number one. And secondly, what are we doing to sort of improve the brand recognition for the other two players, sorry, for the other two brands? That's the point number two.
- Ashish Dikshit:** Vishak, do you want to comment?

Vishak Kumar:

Yes. Sure. Devanshu, welcome back. First of all, in a business like ours, each brand is precious and we will do whatever it takes to keep growing each brand. Yes, you're right, Allen Solly has a very high top of mind record, so does Peter England. Peter England also, as you know, has a wider base of consumers. It sells more volumes than any other brand in the country. So it has that.

Needless to say, if you ask this question of any of our brands, we would go full pelt in terms of whatever it takes to keep making the brand stronger and that is something we'll keep doing. Multiple agendas towards that. Beyond advertising, there is also a retail footprint. There is also, of course, I think, great quality products, memorable campaigns, memorable innovations, all of which are to make the brand more salient.

And specifically in brands like Van Heusen, there is also a very large growth opportunity in women's wear, like it is in Allen Solly, where women's wear and kids wear are in addition to the men's business, also driving growth for that business.

So Devanshu, frankly, it's a question where in each of the brands, if you were to take part in those conversations, they would be doing whatever they can to maximize that. I think each of these brands comes with a lot of headroom for growth. And part of that is also to keep building that brand Devanshu.

Devanshu Bansal:

Understood. Sir, so just a small follow up here. So whatever we are learning now, because of the penetration of e-commerce that has happened, plus social marketing platforms that are there, the mode that was there around brand, as well as distribution, right? So that is sort of reducing day-by-day. And product is actually becoming the key. So I just wanted to understand, do we also agree here and what are the initiatives that we're taking to sort of remain or maybe gain more recognition in terms of the product that we offer?

Vishak Kumar:

So Devanshu, the best way to answer this would be to take you to some of our stores. I think the kind of products that, the best way to measure this is consumer scores. As you know, we do a net promoter score, both during the time of the shopping, as well as one month after they finish shopping and we measure their scores. That net promoter score, we have a program called Mission Happiness, has been steadily rising. They have best in class numbers on that, both on product quality, on fashionability, on desire to recommend the brand again.

So these are things which are very critical for us. There is an entire innovation pipeline which runs quarter-by-quarter. Every brand presents their range. Part of that range plan is innovation plan in that brand. So I think this is absolutely with the nail. It is vital for each brand to stay relevant to consumers that you keep doing all these innovative things to connect with consumers. And I assure you that that is highest on the product and design team's agendas in our organization.

Devanshu Bansal:

Very encouraging to hear this, Vishak. Thanks for taking my question.

Moderator:

Thank you. Next question is from the line of Rajiv Bharati from Nuvama. Please go ahead.

Rajiv Bharati:

Good afternoon, sir. Thanks for the opportunity. Sir, I -- sorry if I've missed this. On the e-commerce side, this is in particular a deliberate strategy, or this is just accounting thing which is 19% lower, because when we see one of the competition in similar category, they have been growing this piece very aggressively. So can you comment on that?

Ashish Dikshit:

Vishak, can you take this?

Vishak Kumar:

Yes. Sure. So, Rajiv, no, the number is real. It's not an accounting thing. It's real. And I've said this a couple of quarters back as well, that we want to correct our shape of business in terms of discount profile in various channels, especially e-commerce. So we took that correction and I think it has played out. And like I was telling earlier to Archana, it has played out to a fair extent. So we should now start seeing numbers getting back to positive over the next few quarters. But it is something, it's not an accounting thing. It is real, Rajiv.

Rajiv Bharati:

So this does not reflect in your -- in the gross margin profile substantially, is it? Because the overall gross margin is up 100 bps. So what proportion of this is also because of, let's say, footwear picking up materially Y-o-Y versus this e-commerce dipping?

Ashish Dikshit:

So, Vishak, I'll just answer. The gross margin...

Rajiv Bharati:

Yes.

Ashish Dikshit:

The gross margin is a mix of multiple channels and the sales accounting of different channels. So for example, wholesale, we recognize revenue at the price we sell to the partner, while retail it is at the consumer price. So gross margin as a singular measure may keep moving more by, of course, it's affected by discounting that Vishak was referring to, which we were trying to control, but it's also equally affected by the share of various channels in this. So as a singular measure, don't hold on to that one measure as an outcome of this.

I think the larger point in e-commerce is that, we are conscious that our customers buy large full price for most part of the year across a large network of 3,000 stores and many 1,000 department store outlets and many retail outlets. Our pricing should give consumers comfort that it doesn't matter where they are buying the product, the pricing will remain same.

Some channels have more old merchandise, so that's fair to get discount on that. But as far as the new merchandise is concerned, maintaining price parity is important. And to that extent, we have to reduce the share of discounting that some of the discount led channels do. And that's leading to some of the revenue losses and the base has got shifted to that extent in e-commerce to some extent.

Rajiv Bharati:

So just one last thing to Sameer's question on the billing on the consignment side versus directly billing to the franchisee. Have you -- I mean, barring the Reebok portfolio, have we -- do we -- is it a big portion of your...

Ashish Dikshit:

No.

Rajiv Bharati:

Channel mix...

Ashish Dikshit: No.

Rajiv Bharati: And other brands?

Ashish Dikshit: No. No. Outside Reebok, our primary model to go-to-market is to keep inventory in our books, recognize revenue when it's sold to consumers. And even if they're franchisees, they invest in capex and they manage store operations, but the inventory is managed by us. That's our primary model.

Vishak Kumar: So a small part in Peter England also, but yes, other than that, everything Ashish said. Yes.

Rajiv Bharati: Sure. Thanks, sir, and all the best.

Moderator: Thank you. Participants are requested to only ask strategic questions. Housekeeping questions can be handled with IR team. Next question is from the line of Chintan Mehta from Puniska Family Office. Please go ahead.

Chintan Mehta: Sir, I have a question regarding depreciation. We are charging close to INR700 crores, INR800 crores yearly depreciation. I just wanted a break up or something like how much is for the brand charging and the rest of the furniture and other equipment?

Ashish Dikshit: So the actual depreciation, yes, it is something to do with the indAS. All the stores, the long-term leases, I have to record this as the owned stores and I have to provide depreciation on that. So the real depreciation is not much, but because of this indAS impact, it is coming a very high number.

Chintan Mehta: So all of that is INDAS related?

Ashish Dikshit: The actual rent payout is separate, which is reflected in the cash flow. If you see my annual balance sheet, there you will find the numbers.

Chintan Mehta: Okay, sir. I will get back with the IR team on the number. Thank you.

Ashish Dikshit: Yes. Yes.

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