



“Aditya Birla Lifestyle Brands Limited  
Q3 FY ‘26 Earnings Conference Call”  
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LIMITED**

**Moderator:**

Ladies and gentlemen, good day and welcome to the Third Quarter Earnings Conference Call of Aditya Birla Lifestyle Brands Limited. The call will begin with a brief discussion by the company's management on the Q3 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 thank the management team on behalf of all the participants for taking valuable time to be with us.

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

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

**Dharmendra Lodha:**

Thank you. Good afternoon, everyone. Thank you for joining us today. I would like to welcome you all to the Q3 FY '26 earnings call for Aditya Birla Lifestyle Brands Limited. As we reflect on demand during the quarter, it began on a strong note with healthy momentum through October and November before moderating in December, partially due to a shift in wedding dates.

Additionally, a portion of the festive season played out in the previous quarter this year compared to Q3 last year, impacting sales growth in the current quarter. Against this backdrop, through a sharply focused and disciplined execution across brands, ABLBL delivered strong double-digit growth during the quarter with healthy performance across channels. This high growth on a disciplined and tightly run cost base delivered strong operating leverage and further margin expansion.

Now moving to the financial performance of our business, overall revenue grew 10% Y-o-Y to reach INR2,343 crores, led by strong performance across brands and channels. Lifestyle Brands grew at 9% Y-o-Y, while Emerging Businesses grew at 13% versus last year. Overall business delivered 6% like-to-like growth, despite the festive shift continuing its strong performance. Other channels also recorded a healthy rebound, with both trade and e-commerce growing double-digit.

Operating on a solid and profitable base, we expect growth momentum to remain strong and profitable going forward. Consolidated EBITDA up 21% in this quarter, driven by strong operating leverage at the back of double-digit sales growth. In absolute terms EBITDA stood at INR431 crores compared to INR355 crores in the same quarter last year. EBITDA margin expanded by 180 bps from 16.6% in Q3 FY25 to 18.4% in Q3 FY '26.

PAT at INR100 crores, growing 66% versus last year. Reported PAT came at INR69 crores versus a PAT of INR60 crores in the previous year. This includes a one-time exceptional item pertaining to impact of labour code this quarter. Our net debt reduced to INR800 crores as of December end from INR1000 crores in September end.

Moving to the year-to-date performance, overall revenue stood at INR6,222 crores, up 6% Y-o-Y. EBITDA grew at 12% in absolute terms to INR1,054 crores versus INR940 crores in previous year, with margin improving by 100 bps to 16.9% despite higher advertisement spend versus last year. Reported PAT was at INR117 crores versus INR21 crores in last year. Our normalized PAT for the nine-month Y-T-D stood at INR147 crores, up 55% versus last year.

We continued our network, adding around 90-plus stores during the quarter, as expansion momentum gained pace during the quarter. These stores are larger and feature more impactful records, along with a sharper and more relevant assortment. We expect this momentum to continue with further addition, meaningfully contributing to our sales growth. Our footprint is now 3,300-plus stores, spanning over 4.8 million square feet across more than 785 cities and towns.

Turning to our Lifestyle Brands, the business delivered growth of 9% during the quarter, supported by healthy like-to-like growth of 5%. This marks the sixth consecutive quarter of sustained like-to-like growth. Performance across other channels also improved meaningfully during the quarter, while secondary sales continued to remain strong in line with past quarters.

Quarterly revenue for Lifestyle Brands stood at INR2,002 crores, with an EBITDA margin of 20.6%. This is the highest EBITDA margin, excluding any one-offs, both on pre- and post-Ind AS basis for Lifestyle Brands in last four years. Growth during the quarter was driven by a combination of targeted product portfolio upgrades, particularly in wedding-like categories, and continued enhancement to the in-store experience.

Ongoing renovation, the addition of relevant assortment, and focused efforts to attract new customers to stores helped deepen our customer engagement and further reinforced brand salience. Our emerging business portfolio, comprising Reebok, Van Heusen Innerwear, and American Eagle now spans over 375 stores, with an addition of 20-plus stores in this quarter. The store network delivered a robust 16% like-to-like growth during the quarter.

Segment revenue grew at 13%. On a comparable basis, excluding Forever 21 in the base, growth was even higher at 19%. Profitability improved by 790 bps YOY, reflecting positive operating leverage, and continued improvement in Van Heusen Innerwear business. Performance during the quarter was driven by strong product innovation and compelling marketing narratives.

Reebok delivered a 20%-plus growth in this quarter, with a strong improvement in profitability. Overall, Reebok's network expanded to 200-plus stores, doubling from 100 stores at the time of acquisition. American Eagle remained on a sustained profitable growth trajectory, delivering double-digit growth in quarter 3. Van Heusen Innerwear business grew at double digits in this quarter, marking a strong recovery after several subdued quarters. Business also saw a sharp decline in losses, and is consistently pursuing the path to break-even.

In summary, despite festive and wedding-related shifts, ABLBL delivered accelerated momentum during the quarter. Performance was supported by focus initiatives, including product upgrades across categories, enhanced retail experience, disciplined store extension, and sharper implementation across channels. Looking ahead, a strong store addition pipeline, sustained retail growth, and improving performance across other channels provide confidence in the continuity of this growth trajectory.

In parallel, emerging brands are expected to begin contributing more meaningfully, supported by clearly defined strategies around growth and profitability. This portfolio is expected to be one-fourth of overall ABLBL business in next 4-5 years. Together, these efforts will deepen our presence across key micro-markets, both existing and new, while ensuring we are relevant in the lives of our consumers. That indeed is of strategic focus.

With disciplined execution to drive this strategy, we believe the business is well positioned to translate this momentum into sustained, long-term value creation. Over to you. Thank you.

**Moderator:** Thank you. The first question is from Videesha Sheth from Ambit Capital. Please go ahead.

**Videesha Sheth:** Yes, hi. My first question was that time and again since the demerger announcement, it has been called out that no fundraise would be made and either of the two entities barring for the tomorrow business. But in yesterday's filing, it was mentioned that nearly INR500 crores of NCD issuance was approved by the board. So, can you please highlight as to what would be the utilization area for this fundraise and by when are you looking to, when are you intending to raise it?

**Management:** Thanks, Vidisha. Yeah, you know, at the time of demerger, the company got the borrowings transferred based on the allocation formula. The INR500 crores debentures which we repaid recently in the month of January, we intend to raise it and to refinance the existing, the debentures repaid. There is no fresh borrowing.

**Videesha Sheth:** Got it. So, how should one be looking at the reduction in the net debt amount because I think in earlier calls, you had called out that every year the net debt would reduce by, I mean substantially and by two, three years, it should be net cash. So, any thoughts over there?

**Management:** So, if you see from March, beginning of INR800 crores, the September borrowings were roughly INR1,000 crores which we reduced to INR800 crores. The plan is to reduce it, bring it to by another INR75 to INR100 crores. But you know, Vishak and Ashish can talk on the growth capex after demerger which was the rationale which we conveyed that the company will have the growth capital available to them. Vishak, Ashish.

**Management:** Vishak, do you want to just come in?

**Ashish Dikshit:** Okay. Let me answer this question. Just to give you an overall summary, the business generates through profit which is through EBITDA cash equivalent of close to 900 crores. Part of it goes into working capital funding. The other part goes into capex. Typically, we have been spending close to 150 to 200 in the best years, maybe INR225 odd crores kind of capex.

One of the primary reasons for demerger was to create an entity which can reinvest back more aggressively into growth. Some of those signals are visible here. This year, our capex will be north of INR300 crores, perhaps INR320 crores, INR330 crores. And that's really why the debt reduction is not very large this year. We still feel that over the next three years, which is what we had indicated, the net debt will be closer to zero in this, although that's not the only goal we are driving at.

**Videesha Sheth:** Okay. Sure. The second question was, on a net basis, what is the store edition of, what could the store edition of Lifestyle Brands look like for FY '27? Any number or guidance that you'd like to call out?

**Vishak Kumar:** We've added about 50 plus stores in this quarter. Our sense is that we should add another 90 plus net stores in the next quarter. So that would make the overall addition to about INR150 stores this year. We also have already built a pipeline for next year of 120-odd stores, and that momentum should continue. Whatever we are able to find right up to November, December would be expansion for next year.

So it should be another significant expansion year going forward next year also. We already have a pipeline of about 300 locations that we've identified where our RBD team is looking at properties, etcetera. Usually we convert half of that. So you should look at another significant expansion year next year, Videesha.

**Videesha Sheth:** Sure. I'll get back in the queue for further questions.

**Moderator:** Thank you. The next question is from Archana Menon from Morgan Stanley. Please go ahead.

**Archana Menon:** Hi. Thank you so much for the opportunity. My first question was mainly on the demand side and the revenue growth that's been posted. So is there any divergence this quarter between the primary and secondary sales growth? And is there any element of channel restocking after the GST-related disruption in the second quarter?

**Vishak Kumar:** Hi, Archana. A few questions here. So first is the impact of GST has been pretty much digested through the quarter. So there's no change in stocking or stockholding with any partner because of GST. So that's – there was first couple of weeks of that, but that has been digested through the quarter itself.

So the second question around demand, like Dharmendra had said in his opening statement, October, November were strong demand months. December, the wedding calendar was such that the last of weddings was on, I think, 5th December. So the calendar was not the same after 5th December. Q4, again, there are weddings. And on February, March onwards, there are weddings. So that impact of demand is there because of that.

In terms of the last question you asked, which is on primary versus secondary, nothing unusual. Usual practices around season launches and build-up towards season and end of season is what has broadly happened. We've had robust secondary sales across department stores, which is what has led to an overall primary sales also being fairly healthy.

Partner to partner, there might be variations, some higher, some lower than secondary, depending on their inventory situation. Also, some partners would be expanding more, etcetera. So that would be the ups and downs. But no general trend around up stocking or down stocking.

**Archana Menon:** Understood. And how have trends been in January?

**Vishak Kumar:** The calendar is such that most of the wedding season began post-Makar Sankranti. So we've had an encouraging second half of January. And my sense is that momentum should continue through the next couple of months.

**Archana Menon:** Understood. Very clear. And just finally, so I think this quarter, in terms of your growth itself, it's returned to double-digit growth, which is your ambition after many quarters. So do you expect this double-digit momentum to sustain in 4Q and 1Q?

**Vishak Kumar:** Thank you, Archana. You noticed. Yeah, I think we have said this for some time. We want to be a steady double-digit growth and EBITDA 11%-12% steady, sorry, the pre Ind AS margins. So that is something which we should go on momentum. If you see, even in the last few quarters, our retail has been very strong.

We had some course corrections to do on the wholesale side of business and the e-commerce side of business. Most of that is done. So you should see a more steady trajectory, hopefully, over the next few quarters.

**Archana Menon:** Understood. Thank you so much. I'll get back into the queue.

**Moderator:** Thank you. The next question is from Gaurav Jogani from JM Financial. Please go ahead.

**Gaurav Jogani:** Thank you for taking my question. My question is with regards to the wholesale and the other piece of the business...

**Moderator:** Gaurav, I'm sorry to interrupt, but we can't hear you very clearly. If you're on a hands-free, request you to use the handset. Gaurav, can you hear us? Gaurav, you can hear us? Maybe there's a network issue. We request you to go to an area with better network and please rejoin the queue.

We'll move to the next question. The next question is from Sameer Gupta from India Infoline. Please go ahead.

**Sameer Gupta:** Hi. Good evening, everyone, and thanks for taking my question. Congratulations on a good set of numbers. Firstly, there has been a GST cut for apparel below INR2,500. And above INR2,500, there has been an increase. So, I just wanted to get a sense on what would be the blended price decrease for a consumer of Lifestyle Brands, plus and minus both these aspects. Increase or decrease? I mean, whatever has happened at the consumer, and if you can help me with that number. Okay.

**Vishak Kumar:** There are parts of our business where it has a benefit, especially brands like Peter England, brands like Reebok in apparel, etc. So, there is a benefit there. There are some parts of business, especially in wedding parts of business, there's a negative because those move from 12 to 18. Overall, it's a small net negative, but not a significant one.

- Sameer Gupta:** Oh, okay. But in Lifestyle Brands, it would still be a benefit, right? Because overall discounted sales, I mean, the full price sell through, etc. I guess you had indicated sometime that 50%-60% of the portfolio would be above and rest will be below. So, 40% of the portfolio has actually benefited. Something like that?
- Vishak Kumar:** It's like I said, it's product to product. So, let's say on t-shirts, it's a gain, on suits and blazers, it's not, etc. Altogether, blended weighted average with current sales ratio, it's a small negative. If some other parts of business grow faster, etc., it could be neutral also.
- Sameer Gupta:** Got it, sir. That's very helpful. Second question, sir, on the Innerwear and Athleisure segment. Now, this quarter has seen a double-digit growth, and this is growth after many, many quarters in this segment. Just wanted to get a sense on what has led to this turnaround after so many quarters of business.
- Vishak Kumar:** So, I think a lot of initiatives which have been in the business, they are coming into function now. So, one of the biggest things which has happened, Sameer, is the kind of retail likes-to-likes that we've had. We've been fine-tuning our retail model for Innerwear, and retail likes-to-likes have been north of 30% in this side of business, even YTD if you look at it, it's been a very, very strong 25-plus percent likes-to-likes that we've had in this business.
- So, that has also improved overall profitability because the retail profitability, retail viability is a lot better with that. We've also done various initiatives around product innovations, other things around methods of replenishing with distributors, various things which are going on, which are intrinsic and hence likely to stay in the business.
- You recall that we've also had some quarters of inventory correction, which was a tough phase that we had to go through. Most of that is behind us, and with that, what happens is you're able to infuse a lot of freshness of merchandise into the market. That also spurs growth further. So, I think it's maybe a few more quarters of just fine-tuning that model, and then it should be able to take off on an even stronger growth trajectory.
- Sameer Gupta:** Got it. And you would still attribute this as most of the initiatives that your end? Industry is still where it was. There is no real change there.
- Vishak Kumar:** I don't think so. I mean, if you're saying are there significant tailwinds in this category, not yet. But again, to the earlier question that you had, GST helps this side of business also. So, some of the impact of that should also start from here.
- Sameer Gupta:** Sorry, I didn't get that. Impact of what?
- Vishak Kumar:** The GST change. Again, for a lot of parts of business, etc., it's a good thing for this part of business.
- Sameer Gupta:** Got it, got it. That is something helpful. And lastly, sir, if I may squeeze in, I think Gaurav was also trying to ask this. So, the wholesale under Lifestyle Brands, that has seen a growth of 21%, and past two quarters has been subdued. Before that, it was good. Pre that, it was a decline. I

mean, is there a change in strategy here? The segment has been a bit up and down in the past few quarters.

**Vishak Kumar:**

So, two, three things. One is, we had the base effect of Centro and the transition that we went through in Centro in the past. That is out of the base now. So, you will see, in that sense, a more apples-to-apples comparison. Beyond that, there is also the strong secondary sales growth which we've had in the last few quarters, which is helping us. So, those are some of the factors which are going in.

Likewise, on the e-commerce side of business, we went through one phase correction, a lot of things that we did to sharpen the model. A large part of that is also done, and that also, again, is reflecting in the numbers.

**Sameer Gupta:**

Just for my understanding, sir, on the wholesale piece, this is a mix of consignment as well as outright sales, or now it's primarily outright sales that you book in this?

**Vishak Kumar:**

Can you repeat that, Sameer? I'm so sorry.

**Sameer Gupta:**

So, what I mean is that the wholesale channel, the sales, the way you record it, is it on a consignment basis? You record the end consumer sales and the inventories on your book till that end, or do you book the sale to the distributor and to the retailer with a margin? How does it work?

**Vishak Kumar:**

So, we recognize revenue when we sell to our customer. Our entire terms of trade are built around that, that we recognize revenue when we sell to the partner. Sell to the partner, not the end consumer? In retail consignment, retail sales, we recognize that when we sell to end consumer. In the wholesale side of business, we recognize revenue when we sell to the partner.

**Sameer Gupta:**

Got it, sir. And there is no change in the accounting over the years? This has always been the case?

**Vishak Kumar:**

No, no. Always been the case. In fact, we are extremely conservative in the way we recognize revenue, in the way we recognize dormancy, all of that. So, no change in the way we recognize revenue.

**Sameer Gupta:**

Got it, sir. Got it. That's all from me. I'll come back in the queue for any follow-up.

**Moderator:**

Thank you. The next question is from Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:**

Hi, Vishak. Thanks for taking my questions. So, first question is on retail channel growth. If we compare this growth with some of the other players that have reported so far, it's a tad weaker. Even the LTL that we've reported is running a tad weaker versus the other players. So, I just wanted to check within the marketplace, what is leading to this weakness for our brands?

**Vishak Kumar:**

If you split the brands in the market into brands which have a significant wedding impact versus brands which don't have impact on wedding calendar, in our own portfolio, you'll see that. Whether it's on Reebok, whether it's on American Eagle, it's on Innerwear, they would have all had very, very high aggressive double-digit secondary growth, L2L growth.

Parts of business which have had a greater dependence on weddings, the calendar evaporated after 5th December. So, you see the impact of that. So, it's more of everything. If you look at our retail sales, YTD December, it's still double-digit. It's at 10% for Lifestyle Brands itself. So, some of it, you get the benefits of calendar in some quarters, you don't in the other. Even if you see it for the overall industry itself, you'll see that pattern for brands which have a greater dependence on weddings.

**Devanshu Bansal:** That's fair, Vishak, but I was checking from a nine-month perspective also. So, if we see our retail sales growth has been a tad weaker versus what other players have reported. So, even on a nine...

**Vishak Kumar:** No, it's 10% like-for-like. 10% like-for-like in three quarters, which is YTD.

**Devanshu Bansal:** No, that is like-for-like, sir, but from a consumer perspective, I guess, it's the retail channel revenue growth which matters, right? So, like-for-like is okay, but from a market perspective, I guess, the overall growth is a better metric to track your market share. So, that growth has been a tad weaker versus what other players have reported, and the difference is almost to a tune of 500-600 basis points.

**Vishak Kumar:** No, I don't know. Our YTD retail overall would also be about 8%.

**Devanshu Bansal:** Yeah, the other I was referring to, if you want, from an Arvind Fashion perspective, they reported almost 13% growth in nine months, right?

**Vishak Kumar:** So, possibly, and maybe we could look at comparisons, etc., but all I want to assure you is that in our brand, we are at a like-for-like of 10%. To the question Archana asked earlier, some of the impact of the retail expansion will start showing now. This quarter itself was a significant impact of net expansion that you will start seeing in the overall growth.

Q4, we'll see that even more, where there is about a 90-net store addition that you will see. So, if you look at it, we will enter into next financial year with a 150-store larger network than last year. That itself, broadly, is a 5% extra business in retail that you will have next year.

**Devanshu Bansal:** Sure, sure. And Vishak, just one bookkeeping understanding. So, your rent expense, which is largely franchisee commissions, in my opinion, has been on a declining trend by about 100-150 basis points, both in Q2 and Q3, right? So, what is driving this change? As in, are we shifting from franchisee stores to company stores? Is that leading to this change?

**Vishak Kumar:** Not really. So, look, it's a network of stores with a balance of FOFO stores and COCO stores. So, we've been driving a lot of initiatives around cost reductions. Also, you must recognize that when you had a retail network which has grown 10% on like-for-like, whereas your store costs grew at about 5%-6%, so that also gives you the cost leverage.

**Devanshu Bansal:** But this is a commission, right? This must be percentage of sales.

- Vishak Kumar:** So, we have a significant number of COCO stores where we pay the rents directly and an equally strong network of franchisee stores where it's a percentage commission. Where it's a percentage commission, the percentage doesn't change. It helps the franchisee to make a better ROI.
- Devanshu Bansal:** But this in the P&L rent expense that we report, this is largely the commission paid to the franchisees, if you could confirm that, right? In the reported P&L, this is the franchisee commission?
- Dharmendra Lodha:** Largely, it is the variable rent. So, it is both franchisee commission as well as the variable rent which you pay to malls.
- Devanshu Bansal:** Yeah, that was my question. So, why is that as a percentage of sales that you think?
- Vishak Kumar:** Is that question answered now? I think it's the operating leverage of having a higher like-to-like sale which is what is bringing that down.
- Devanshu Bansal:** Sure, I'll take this offline. Maybe I'll take this.
- Dharmendra Lodha:** Devanshu, it will be better if you connect offline. We'll explain to you.
- Devanshu Bansal:** Sure, sir. No issues. Sure, sir. No issues. Thank you.
- Moderator:** Thank you. The next question is from Ankit Kedia from Phillip Capital. Please go ahead.
- Ankit Kedia:** Two questions from my side. In the quarter, we saw gross margins decline marginally. Industry trends suggest that the discounting is actually reducing and you have also done that. You can see that in the channel checks. So, what is leading to this gross margin decline?
- Vishak Kumar:** Not sure where you're seeing gross margin declining, Ankit. Where are you seeing that? Because actually, our gross margins have stayed fairly healthy. Dharmendra, you want to respond to that?
- Dharmendra Lodha:** So, Ankit, the COGS for corresponding Q3 FY '25 was 41.1. This time it is 41.4. It is of the overall business including Lifestyle Brands plus various other businesses. So, I think this is a composition of various business lines.
- Ashish Diskhit:** It is more of a business mix than any shift.
- Ankit Kedia:** So, if you can highlight in Lifestyle, what is the gross margin expansion we are witnessing due to lower discounting and which business is actually dragging the gross margin down from the mixed perspective?
- Dharmendra Lodha:** Okay. This is at the published result level. Lifestyle, I have to dig out separately. We can connect separately.
- Ankit Kedia:** Sure. My next question is on Innerwear. We have seen strong growth in the Innerwear category. What is leading to this growth overall and what changes are we doing in the Innerwear category from a medium-term perspective?

**Vishak Kumar:**

So, Ankit, Sameer asked a similar question. So, let me just tell you that two or three things are happening which you should see the benefits of that. One is, of course, the sales growth that you have seen. And like I was explaining earlier, as inventory freshness improves, the health of overall inventory improves, etc., that is giving us a good impact. That is also giving us a significant impact on profitability. In fact, our losses in this business this quarter have halved.

So, that is again something that is reflected in the overall numbers. The other, like I was explaining to Sameer, very significant improvement in retail performance. So, retail like-for-like and likewise in department stores, etc., very strong same-store performances that we have had, which have brought down the fixed cost as a percentage of sales, resulting in both overall growth as well as improved profitability.

In addition to that, Ankit, we are running a lot of initiatives around quality of replenishment mechanisms to distributors, running pilots around a lot of new product initiatives, many things which are going into driving overall traction in this category. So, a lot of those things are falling in place quite nicely, Ankit.

**Ankit Kedia:**

So, over two years, if I have to see, do you think you can have a mid-single-digit margins by FY '28 in this business? And what will be the EBO strength if I have to see from a medium-term set two years out? Given that now unit economics is set for the business, product is new, everything is changed.

**Vishak Kumar:**

Yeah. So, Ankit, first question, the FY '28 I hope is going to be a profitable year. I don't want to comment on what kind of profitability, but I'm hopeful that FY '28 will be a profitable year. I think that's the kind of trajectory that we've built for ourselves right now. Yes, you're right on the network part, the retail network. We have got a reasonably robust proof of concept now.

We also want to strengthen further the partner-driven model here. Here's a model which can work nicely through distributors, neighborhood catchments, tight shop stores which have a nice shop assortment which is relevant for that neighborhood. Some of those also we are working on different sizes and formats to be able to scale that.

That can be a pretty significant exponential scale-up. I don't want to put a number on that now. But by and large, you should expect to see a significant scaling up of the retail network.

**Ankit Kedia:**

And it's been more than a decade now we are doing this business, right? And we have had cycles. What gives you confidence now this change what we are doing is there? Because some of the D2C startup brands both on athleisure and Innerwear side have started to become aggressive?

While some have also closed shop, but we are seeing new competition also emerge. And the market leader is slowing growth and some of the private labels have also started to do well. Now, the changes which you are talking of, how confident that these are the right changes to be done in the market now?

**Vishak Kumar:**

I think the first thing is the biggest thing which gives me confidence personally is the consumer acceptance of this brand and this category. I think the consumer stickiness on those who ever tried the product, is very high. And that gives us tremendous confidence. So a lot of initiatives

by which we have been able to generate trials, they have all translated into secure business with consumers. So that's the first thing.

Second is I think it's a fairly well-established distribution network with the kind of distribution points that we have got, with the kind of retail presence that we have got, presence in department stores, etc. I think it's a fairly strong network which is also getting steadily more well-oiled machine kind of thing in terms of replenishment.

This you know is Ankit, it's a sticky replenishment business. So you know as you keep getting better and better at that process and the wheel is nicely balanced, it's a nice flywheel that works for you. We are fairly close to that in my sense. So you know I would say that some of the last few years learnings also come in handy in terms of making sure that we do the right thing going ahead.

**Ankit Kedia:** And between athleisure and Innerwear, would it be 30-70 or would athleisure be a higher percentage for us?

**Vishak Kumar:** Let me take exact numbers, maybe we just put that together. But broadly you'd be right, but let me not make a mistake on that. So I'll give you a sharper number, Ankit.

**Management:** No worries, you can take the next question and answer in between.

**Moderator:** Thank you. The next question is from Rajiv Bharati from Nuvama. Please go ahead.

**Rajiv Bharati:** Good afternoon, sir. Thanks for the opportunity. So continuing on the Innerwear piece. If you can clarify what is the GT channels contribution in your entire mix?

**Vishak Kumar:** When you say GT, you mean the trade, right?

**Rajiv Bharati:** The trade, yeah.

**Vishak Kumar:** Just one second, I'll give you an accurate number.

**Dharmendra Lodha:** It's around 50%. A little less than 50%, yeah.

**Rajiv Bharati:** Got it. And the other part is in terms of the capex number which you've highlighted, the INR330 crores, can you split between your Lifestyle brand and emerging brands? How does it stack?

**Vishak Kumar:** The lion's share would be for the Lifestyle Brands. Probably 80% of that spend would be Lifestyle Brands, maybe a little more than 80%. We've invested a lot, both in terms of expansions and renovations. We've also made stores larger, created stronger shop facades, etc. So it's a fairly significant impact on the Lifestyle side of business.

**Rajiv Bharati:** And you made one comment and there's an opening remark in terms of, you know, you're looking for a steady growth. Assuming that you look for, let's say, 10% growth on the top line on a conservative basis for the entire piece, then on the back of that, and the comment which was made was that, you know, the emerging brands will become one-fourth of the turnover in five years out. That means you're projecting for, let's say, 20% kind of growth on the emerging brand

side with bulk of the capex routed on the Lifestyle Brands. I mean, how does, is this that capital light, the emerging brand category?

**Vishak Kumar:**

So two, three responses to that, Rajiv. So first is that the emerging business is still on the lower base. So relatively speaking, it right now needs lesser capex. But we are not averse to adding more for that side of business as well as we scale up there. And personally, between you and me, and I've said this earlier as well, I'm hoping more for a 12% kind of a steady state growth.

And we should aim for that. We will have pluses and minuses over quarters. But we should be able to drive something closer to that. And definitely Innerwear, Reebok, these types of businesses have a very large role to play in overall driving because there the business itself is relatively small and we should be able to scale up much faster in that side of business.

Reebok has had a very good quarter and the momentum looks very good. We've already doubled our network from what we got on Reebok. We should exit this year. We've already 200 plus. We should exit this year with 230 plus stores on Reebok. And I think there is still a very large set of markets which are available for putting up stores on Reebok. So I think a lot of questions have been around Innerwear. There are various other parts of business which are also poised for fairly strong growth.

**Ashish Dikshit:**

I think also just to add to that, we have a fairly large distribution of Lifestyle brand stores. And a significant part of our capex goes in renovations and upgrading those stores. And therefore in absolute terms, because those number of stores are so much higher and the emerging businesses are relatively newer, they have less renovation needs.

That's also another reason why the current capex, that won't be the case all the time, is significantly higher in Lifestyle Brands.

**Rajiv Bharati:**

Sure. So thanks for this 12% number. So if I reverse work, the number becomes 24% for the rest of the category. So what is the network addition and the SSG assumptions in this?

**Management:**

So on a steady state, and we have said this earlier this year as well, 6%-7% of like for like is what we should expect. In the Lifestyle side of business. And the rest of the growth comes through expansion. Of course every year is not going to be the same. But let's say in a 3,300 store network, if you're able to add even say 200 stores, that is 5%-6% growth that is coming out of network expansion, in that side of business. I think there is headroom for at least three-four years of growth like that in terms of network expansion.

**Rajiv Bharati:**

So I was asking from let's say youth brands and Innerwear segment.

**Management:**

Okay. There the headroom for growth is even stronger, Rajiv. Because let's look at it this way. If a brand like Louis Philippe has a network of 500 plus stores, there is no reason why a brand like Reebok cannot have more than -- In fact, a category like that can have an even larger play in terms of network size. So in that side of business, it's even more aggressive growth possibilities that exist.

Likewise in Innerwear, there is also the possibility of many more, the opportunity of many more neighborhood markets as well. So there again the headroom is much larger beyond the part around what you would call GT or General Trade.

**Rajiv Bharati:** So just one last question on Innerwear. Has there been any price hike?

**Management:** Sorry, Innerwear?

**Rajiv Bharati:** Has there been any price hike on the entire Innerwear portfolio?

**Management:** No, actually we passed down the GST benefits to consumers. So you would have seen that a lot of segments which had a 12% which moved to 5%. So we passed that on to consumers.

**Rajiv Bharati:** Sure. That's all from my side. Thanks a lot and all the best.

**Moderator:** Thank you. The next question is from Tejas Shah from Avendus Spark Institutional Equities. Please go ahead.

**Tejas Shah:** Hi, thanks for the opportunity. Sorry if I'm repeating the question, but I logged in a bit late. Can you provide some regional color on the Lifestyle Brand performance? Specifically, are we seeing any demand pressure in urban IT heavy markets, let's say Bangalore, Hyderabad, Pune?

**Vishak Kumar:** Okay, hi Tejas. Yes, we missed having the first question from you. Just to give you some color, why is that, Tejas, this year, small towns have had a good run. So while I can't give you regional, there haven't been too many regional biases, but clearly small town India has had a good run.

You know that small town India went through a few tough quarters. This year, our own same store growth pages in small town ITG would be about 13%-14%. Okay, so small town India has a much stronger run. Other than that, I can't point out any regions specifically which has grown more or less.

**Tejas Shah:** Perfect, very assuring. Again, Vishak, you spoke about the Lifestyle portfolio. Lifestyle portfolio has a very strong loyal base of customers, but the growth is moderating and it's actually, the answer is there. It says that it's a very mature portfolio. Actually, the size is huge in terms of both distribution and in the absolute number.

So what are the biggest or where are the bigger white spaces? Is it new formats, locations, geographies that can actually help us to go into, let's say, double-digit growth sustainably and not this just one or two low-base, high-base kind of triggers?

**Vishak Kumar:** It is a simple answer. All of these that you said and a few more. Think of very, very large brands. Fashion business doesn't have a billion-dollar brand. Most other categories have very, very large brands. So let me put it this way. Take a brand like, say, Louis Philippe, which has 500-plus stores.

The opportunity for a brand like Louis Philippe in India should be about 1,500 stores. So maybe the methods of opening these stores, the formats, will have to be more nuanced, will have to find the right regional assortment requirements, etc. But we've been figuring formats which have

worked. There have been formats which have been more casual-driven, formats which are more wedding-driven, and so on, which have worked fairly well.

We have also created, we just put a bridge-to-luxury store from Louis Philippe called Philippe, which we opened in DLS Promenade in Delhi, which has again been off to a very good start. So a lot of new formats, new segments, new usage occasions with consumers as they emerge, again, are other growth possibilities.

Other parts of business, women's wear, again, is another. In two of our brands, we have very meaningful women's presence, whether it's in Van Heusen or Allen Solly. So that is, again, another opportunity for growth. So there are various segments. So there is, of course, distribution and presence, etc. Many of our partners are also looking at aggressive growth plans.

Some of the department stores are looking at growth plans. That adds to that. The e-commerce space, also with quick commerce, is also driving consumption. There is opportunities for growth there. So I would say, yes, while it might look like, look, these are large brands, I still think these are very early days in the evolution of these brands.

**Tejas Shah:**

My next question pertains to Reebok. From day one, since we acquired, it looks very promising. And then when we look at the other player numbers also in this space, that's actually very, very healthy. And then you also called out there's a huge opportunity to expand footprint as well.

So what is the limiting point as of now? Is it that the brand product market fit is yet to be established before we scale it up very fast? Or the route to market itself is not very clear as of now before we scale it up?

**Management:**

Okay, Tejas, just to give you some facts here, we've more than doubled our business in the last three years in Reebok. We've more than doubled our business. In spite of all the market challenges or whatever that might have been, we have more than doubled our business. We have more than doubled our network. By the time we exit this year, we'll be close to triple of the network that we had inherited. So it's been at a fairly significant pace, but you would argue it was on a small base, and you're right.

So the good news is that we're still relatively on a small number, and hence the headroom for growth is quite significant. Let's look at what are all the things which are going into the mix which have to make this faster growth happen continuously. First is on product assortment itself. So a lot of very good work has happened in Reebok across categories. Reebok, which was in its early years in India, very, very strong across multiple categories, had got limited to largely lifestyle kind of footwear before we took it over.

As we've gotten into this segment, and we've added a very strong line of walking, very strong line of performance footwear, some very, very good running shoes in the segment. In fact, we have some very top quality, most of the running shoes in India, carbon-plated running shoes are all about INR10,000. We've got very nice carbon-plated running shoes at INR9,000 and so on.

So there's a very strong assortment of footwear that we've been able to generate. There's also a big lever for growth. We've been able to leverage our expertise on apparel creation and apparel

product designing, etcetera, very strongly. When we took on the brand, the apparel contribution was about 25%. Today, it's a little more than 36% already. That has again driven growth.

But I still say that there are many segments which we can do even more of. So that is again driving growth. Then there is network, and we've still only scratched the surface on network. There is a very large opportunity which exists on geographical markets that we will scale to. So it's very, very exciting times in this segment. I also think consumer acceptance, more and more health and fitness is becoming even stronger as market trend. So this is an interesting time to the Reebok.

**Tejas Shah:** Thanks. That's all from my side.

**Management:** Thanks, Tejas.

**Moderator:** Thank you. The next question is from Gaurav Jogani from JM Financial. Please go ahead.

**Gaurav Jogani:** Hi. Thank you for taking my question again. Hopefully, I'm audible this time. Just one question now from my end. Just one question on my end from the margin front. You know, the other segments that is the Reebok, innerwear, etcetera, business together, is now showing a very good decent margin this quarter around?

So if you can break it, how this improvement was and how much sustainable this is going ahead, given that, you have also mentioned that innerwear business losses are halved now. So when can we expect this business to become profitable? And where are the other pieces of the business on the profitable journey?

**Vishak Kumar:** Okay. Gaurav, I think we answered that partly when Ankit asked and Sameer asked that question. But let me attempt that again. So one is that I'm hopeful that at least we have one quarter next year, which is a profitable quarter on the innerwear business. And that should be, hopefully, the beginning of another era for that side of business. So that is on the profitability part.

And a lot of things are happening which lead to that. The biggest thing from a margin improvement perspective is selling expense improvements. So we've managed to significantly streamline selling expenses. Cost of doing business in that sense has improved. And that should continue over some time. As the health of inventory improves, that also improves realizations.

That is, again, something which is giving us gains. And that is a flywheel which should keep getting better over time. Overall, also, as overall scale improves, the leverage of overheads and all other costs also then improves. So we should see these improvements over the next few quarters as well, Gaurav.

**Gaurav Jogani:** Just one thing. While we understand the innerwear business turning from losses to profitable will be a bigger driver for the margins, but how about the scale-up of the margins in the American Eagle and the Reebok part of the business as well? How that will shape up? And in that context, how can the margin expansion look like in the next few years?

**Vishak Kumar:** I'll separate American Eagle and Reebok. American Eagle is fairly... How do I say this? It's a very robust business, but doesn't have the same growth opportunity, let's say, as Reebok has. It'll grow steadily. It'll grow steadily, hopefully double-digit growth. And it'll continue to have a very good space in market for consumers. And it'll make decent money as we do that.

Reebok has a much greater room for exponential growth. I think that's the segment where you should see very, very aggressive growth in times ahead. And like I was explaining to Tejas, right through both product categories as well as channel markets, there is a very large growth opportunity that we should see. As that happens, a lot of leverages also come into play, which should also make the business more profitable as we go along. Does that answer your question, Gaurav?

**Gaurav Jogani:** Yes, yes, that does. Thank you.

**Moderator:** Thank you. The next question is from Kunal Bhatia. I'm sorry, Kunal Bhatia has dropped off. We'll move to the next question. The next question is from Jay from HDFC. Please go ahead.

**Jay:** Yeah, hi. Thank you so much for the opportunity. I joined late, so apologies if some of these questions have already been answered. On the Lifestyle bit, to begin with, you guys had nearly 100bps margin expansion?

Now, this is despite wholesale and online, growing two times the pace at which the core retail grew. I was just wondering how come this happened? What were the levers which helped you get there?

**Vishak Kumar:** Jay, so yes, you're right. We did discuss this. So basically, it's coming from reduced selling expenses through better leverage. So as your same stores grow better, that gives you a better margin expansion. I think we've also been able to drive a lot of cost reduction initiatives across the business, including product costs, supply chain costs, etcetera, through the organization, which have also made us get some benefits in terms of margin expansion. So the question is, is it a one-off?

Sure, in terms of this quarter is a good quarter, so sure, it's there. And in fact, like Dharmendra said, it's our best-ever quarter in terms of margin improvement in the lifestyle business. But is it sustainable? To a fair extent, it is sustainable. Apart from the quarter-to-quarter seasonality, it's fairly sustainable, what we've got here.

**Jay:** Well, thanks. The other bit is on the emerging businesses, especially the in-a-way bit. Now, through our channel checks also, at least that's what we kind of picked up, and maybe we were wrong.

But for the longest time, the assortment, at least from a price point perspective, were quite divorced from what we really wanted. Now, have we fixed this, or how close are we in fixing it? Where are we in that journey of kind of marrying them together?

**Vishak Kumar:** Okay. So, you know, it's a huge country with a very, very large-- we operate with some 1,000 outlets, which are a universe of -- and the universe is actually larger, which is there in the trade

side itself. And, of course, there are different kinds of retailers with different assortment preferences. The most critical thing to do well here is replenishment and predictability around replenishment.

Once you crack a set of winning products, the market wants you to then just keep replenishing extremely. It's in some way almost a boring business, where you just want extremely high predictable replenishments again and again and again. As you keep getting better and better at that, your appeal with the channel also keeps getting stronger.

Sure, there are more price-sensitive markets, and we have assortments which address that. So, for instance, we have a Classic Plus line, which is a sharper price product. So there are assortments which are unique to different needs of market, which are addressed. But I would still say the larger lever is extremely, you know, have a solid set of products. We have a damn good product.

We have a very high-quality product. Fit is great. The repeat consumer behavior is very strong. Now, just making sure that it is well replenished with very high degree of predictability becomes a very critical leverage.

**Moderator:**

Thank you very much. We'll take that as the last question. Ladies and gentlemen, on behalf of the management, we thank all the participants for joining us. In case of any further queries, you may please get in touch with Mr. Amit Dwivedi. You may now disconnect your lines.