



“Aditya Birla Lifestyle Brands Ltd. Q4 FY26 Earnings Conference Call”

May 08, 2026



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Moderator: Ladies and gentlemen, good day and welcome to the 4th Quarter Earnings Conference Call of Aditya Birla Lifestyle Brands Limited.

The call will begin with a brief discussion by the Company's Management on Q4 FY26 performance followed by a question-and-answer session.

We have with us today Mr. Ashish Dixit – Managing Director, Mr. Vishak Kumar – Deputy Managing Director and CEO, Mr. Dharmendra Lodha – CFO.

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's performance and to strategy 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 all of you to the Quarter 4 FY26 Earnings Call for Aditya Birla Lifestyle Brands.

As we reflect on the quarter, consumption trends remained broadly stable during the initial months, although wedding-led demand was somehow uneven owing to a softer wedding calendar compared to last year. Towards the latter part of the quarter, consumer sentiment moderated due to geopolitical uncertainties and heightened market volatility. Despite this near-term softness, overall demand trends remained resilient in line with Quarter 3 FY26.

Against this backdrop, ABLBL delivered another strong quarter of double-digit growth driven by healthy performance across channels. Expansion momentum also remained robust, building further on the strong sales witnessed in last quarter, while emerging brands continued to see encouraging recovery and regained a sharp growth trajectory.

Now, moving to the Q4 FY26 financial performance of our business:

ABLBL revenue grew 12% YoY to INR 2,174 crores led by strong performance across brands and channels. Lifestyle Brands grew 11% YoY, while Emerging Business segments were up 18% versus last year. Overall, business delivered 6% Retail like-to-like growth for this quarter. Other channels also sustained strong momentum continued from last quarter, with both e-commerce and departmental stores delivering double-digit growth.



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Consolidated EBITDA was up 14%, reflecting continued strength in our operating performance. In absolute terms, EBITDA stood at INR 375 crores, compared to INR 330 crores in the same quarter last year.

EBITDA margin expanded by 20 bps, up from 17% in Quarter 4 FY26 last year to 17.2% in Quarter 4 FY26 current year. Normalized PAT is at INR 60 crores in Quarter 4 FY26, growing 58% versus last year. Reported PAT is at INR 55 crores versus INR 38 crores in previous year. This includes a one-time exceptional item pertaining to labor code impact in this quarter.

Moving to the full-year performance:

ABLBL revenue stood at INR 8,396 crores, up 7% YoY. EBITDA grew 13% to INR 1,429 crores versus INR 1,269 crores in last year, with margin improving by 90 bps to 17%. Reported PAT was INR 171 crores versus last year's INR 60 crores. Normalized PAT for 12 months stood at INR 209 crores, up 61% versus last year. This includes higher YoY depreciation of INR 40 crores on account of aggressive store expansion in FY26.

The pre-IndAS PAT before exceptional item this year stood at INR 313 crores.

Through business operations, the company generated operating cash flow (before CAPEX and security deposit) of INR 450 crores. A large share of this cash has gone towards funding aggressive store expansion during the year.

Net debt at year-end stood at INR 726 crores versus INR 781 crores in March last year.

The Board of the company has also declared a dividend of INR 50 paise per equity share within the first year of the company post-demerger.

Through the year, store expansion gathered strong momentum, culminating in new stores addition of 300+, accelerated expansion supported by strong product market fit in new market and deeper penetration in existing one, reinforces confidence in the long-term opportunity, with momentum expected to sustain on the back of robust pipeline across catchments.

At the end of this year, our footprint has expanded to 3,348 stores, spanning over 4.9 million square feet across nearly 800 cities and towns.

Now turning to our Lifestyle Brands:

The business delivered growth of 11% during the quarter, aided by broad-based traction across channels. Quarterly revenue for Lifestyle Brands stood at INR 1,829 crores with an EBITDA margin of 20%, with full-year revenue for this portfolio stood at INR 7,154 crores driven by



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strong retail performance, with FY26 like-to-like growth of 8%. Margins stood at 19.6%, 20 bps higher than last year.

Overall Emerging Business portfolio comprising of Reebok, Van Heusen Innerwear and American Eagle now spans over 390 stores. Segment revenue grew at 18% and profitability improved by 420 basis points YoY reflecting positive operating leverage and continued reduction in losses in Van Heusen Innerwear business.

Reebok delivered 30% growth during the quarter, driven by strong retail performance. Since acquisition, the brand's full-year sales have more than doubled, while its network has expanded to over 210 stores. American Eagle continued its profitable growth trajectory, delivering double-digit like-to-like growth during the quarter. Van Heusen Innerwear also recorded double-digit overall growth during the quarter, again continuing its strong recovery trajectory. The business also witnessed a sharp reduction in full-year losses and remained on track to achieve break-even quarter by Quarter 4 of current fiscal year.

This portfolio is expected to remain a strong growth driver for the company, with significant opportunity to scale these brands into mega-brands within the fashion and Lifestyle space over the medium term.

The year marked a strong start to being an independent entity supported by encouraging business momentum and several positive operating milestones across brands and channels. Our strategic imperatives are clearly defined, and our execution engine is ready. Going forward, our focus will remain on consistently executing the fundamentals well while further sharpening the consumer proposition and relevance in line with changing consumer needs.

The achievements through this year and the momentum we gained provides a strong foundation to sustain double-digit growth over the coming years, supported by a robust expansion runway across both established and emerging brands. Consistent execution and discipline will ensure the quality of this growth, forming the moat of our business model.

We are now open to questions. Thank you.

Moderator:

Thank you Mr. Lodha. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Shravan Vohra from Morgan Stanley. Please go ahead.

Shravan Vohra:

Hello. Hi. Hi team. Thanks for the opportunity. I just wanted to check a bit on the demand side. Are you seeing any divergent trends among the four brands in the Lifestyle business or any divergent trends between the premium or the mass end?



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Vishak Kumar: Hi Shravan. If you are saying in respect to Quarter 4 or if let's say if you look at it from a full year point of view, quarter-to-quarter there will be ups and downs across brands. But in general, all our Power brands, all our Lifestyle Brands have grown in a similar fashion. Each segment has its own both tailwinds and headwinds. And in that sense, they have cancelled out. So, by and large, they have had similar growth trajectories. High-single digit is the broad report card for the year.

Shravan Vohra: Got it. Thanks. And any update on Peter England Red? How it's doing? What is the strategy there now?

Vishak Kumar: Shravan, it's had a good run. Peter England Red and in general across our formats in small towns, we have had a good run last year. I think small town demand was pretty good last year, and it helped us to get back to double-digit growth in that. In fact, significant double-digit growth in these markets, including for Peter England Red.

Shravan Vohra: Got it. And just checking on Reebok, impressive performance in 4Q. What would be our strategy on Reebok in F27 on store additions? And also, if you could highlight our store expansion plans for F27 across brands, please.

Vishak Kumar: Yes, I think Reebok is on a good wicket in terms of momentum, but we have only begun. I think we still have a lot of catching up to do in terms of overall network. We have about 210-odd stores in the network for Reebok. The runway, as you can imagine, is much, much larger than that. So, that will continue. Reebok's growth is a combination of both like-to-like sales as well as network expansions. Network expansion will continue. 40-50 stores per year for the next few years should be par for course, unless we do more than that. That, I think, will continue. My own sense is that like-for-like also a lot of new products have kicked in, which are also fueling further like-for-like growth. We have just launched a very impactful campaign with Reebok Multi-Court Shoes, which is a breakthrough product, which is again off to a great start. So, my sense is that both like-to-like and expansion on Reebok should continue for some time to come. Overall also, Shaven network expansion across brands will continue. So, we have got a fairly robust pipeline of stores. If you recall, H1 of last year, we had a net negative expansion, but by the time we finished the year, we had a net positive of about 100 stores. We also have been able to build a reasonably good pipeline, which should start showing its impact this year. So, if you ask me, on network expansion, we will continue on the momentum that we built in H2 of last year and build it from there.

Shravan Vohra: Just last question from me. Any guidance you can give on the dividend policy and debt repayment plan going ahead?

Vishak Kumar: Ashish, you want to take that.



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- Ashish Dikshit:** Yes. As you know, we had announced at the time of formation of company that looking at the predictable, consistent, historical cash flows of the company, we are very confident that this company over a period of time will become a debt-free company and equally will be able to pay dividends as it goes forward. Our journey on dividend, therefore, we decided that on year one itself, we will start although with a smaller dividend at this point of time. But we want to indicate that we feel very confident about the cash flow generations of this company to be able to pay dividend broadly in the range of close to 15% to 25% of net profit. Some years, it will be a little bit more. Some years, it may be a little bit less. So, that's really what we are indicating at this point of time. And as far as the debt repayment is concerned. ideally that this cash flow should make company debt-free in the next three years. But that's not something that we are chasing because a reasonable level of debt is not unhealthy for a company of this size.
- Shravan Vohra:** Perfect. Thank you so much.
- Vishak Kumar:** Thanks, Shravan.
- Moderator:** Thank you. Next question is from the line of Sameer Gupta from India Infoline. Please go ahead.
- Sameer Gupta:** Hi, sir, and thanks for taking my question. I joined a little late, so pardon me if this question has already been taken. Firstly, in the Lifestyle Brands, if I look at the channel performance, there is this others portion where there is a very high growth. Now, earlier it used to be e-commerce, and now you have segregated that. So, what does this channel pertain to, and why is there such a high growth here?
- Vishak Kumar:** Just one second, Sameer. I just want to make sure I am seeing the same number that you are seeing.
- Sameer Gupta:** INR 127 crore or something is the number.
- Vishak Kumar:** Okay. Beyond the channel businesses, we also have a contract manufacturing business, which we use to export to brands across the world. That has also had a good run during the year. We added a new large factory, so we have been able to create additional capacity, manufacturing capacity, and we were able to put that to good use with the growth in contract manufacturing.
- Sameer Gupta:** Okay. So, then when I look at Lifestyle Brands, I should exclude this others portion to look at the brand level sales. Will that be a correct way to look at it?
- Vishak Kumar:** The numbers you have given for Lifestyle Brands are given that way only, Sameer.
- Sameer Gupta:** Okay. But if I add the three channels, it comes down on 8% to 8.5% growth, which is not bad, but it's still lower than 11%, right?



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- Dharmendra Lodha:** This is also a branded business. Okay.
- Vishak Kumar:** We will give you a reconciliation, but the business growth, and if you take it apples-to-apples, is that 11%, Sameer?
- Sameer Gupta:** Sure, sir. Yes. No worries. Second question is on the cash flow generation, and it was partly taken up in the previous question, but what I noticed is that the net debt number has come down by around INR 50 crores, INR 60 crores. Yes. We have generated a free cash flow of around INR 200 crores, minus the interest on the debt is around INR 130 crores, INR 140 crores. Now, with a CAPEX of INR 300 odd crores, and there is an increase in working capital of INR 100 crores, if I just look at the cash flow statement, how do we generate enough cash to then pay debt going forward, unless we improve margins at a high level? Is there a scope to reduce working capital from where it is right now, or that is something that is difficult given the channel salience will be predominantly going towards retail? Just trying to understand this.
- Vishak Kumar:** I think, fair question. Simple answer, is there juice for improvement on working capital? Answer is yes, and we do plan to do that this year. Last year we also, like I said, we had created additional manufacturing capacity, and as you know when you have capacity, capacity utilization becomes an important metric. So, we had pre-produced some of our core products, etc. So, to that extent, we will not need to produce that inventory this year. So, we should be able to release some working capital out of that. So, part of our goals of this year is to be able to tighten that so that we are able to release more cash. The momentum on CAPEX will continue. So, while there will be some overall reduction in CAPEX, we will continue to be aggressive on CAPEX. Of course, a lot of our expansion is also going to come from partnered expansion, franchise store expansion. So, the overall momentum will be strong, while the requirement for CAPEX will be slightly lesser than last year.
- Sameer Gupta:** Any guidance here on CAPEX? So, INR 325 crore is what you have done this year. What do you plan to do, a ballpark number?
- Vishak Kumar:** About INR 300 crores. So, we will continue with that kind of momentum. There is still a lot of growth opportunities in the market, so we will continue to drive that.
- Sameer Gupta:** Got it, sir. I will come back in the queue for any follow-ups. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Abhijeet Kundu, from Antique Stock Working Limited. Please go ahead.
- Abhijeet Kundu:** Yes, thanks for the opportunity. My question was on Lifestyle business. Here, the retail LTL has been at about 4%. So, if we have to look at this quarter, generally fashion retail relatively has done well when we compare it to the previous quarters. So, beyond this quarter, how has been



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the scenario, just qualitatively, and what has been your understanding of the quarter because how do you improve the retail LTL? How do you see going ahead the retail LTL will improve? That is something, because what I am looking at is on the base of Lifestyle business, which has gone through a mutated phase.

Vishak Kumar:

Yes, so if you look at our full-year life-to-life, it's about 8-9%, okay, on Lifestyle business. Our Lifestyle business, as you know, has a greater dependence on the calendar, especially the wedding calendar. So, some ups and downs are to be expected just from a wedding calendar point of view. But on a steady state, I mean, for the full year last year, I think we delivered 8.5%-9%. So, we are in that 8%, 9% zone for the full year. Going ahead also, I think there are enough initiatives in place. We have projected for the next few years that we should be able to grow at an LTL of about 7%. I think that momentum should continue for the business, and there are enough initiatives in place to be able to drive that. There will be some higher quarters and some lower quarters, but by and large, that's what we are driving here.

Abhijeet Kundu:

Okay, and where would be the store additions that you have talked about, 230-plus stores, which brand or where would be the focus?

Vishak Kumar:

Like I was telling Sameer earlier, at one level, there is brands like Reebok where there is huge catching up to do, and we will do that where there are a lot many more whitespaces in the market. But even if you look beyond that, across the country this is a continuous process of new malls, new locations emerging, and we will tap into those, including a lot of existing locations where there is a potential for a second store or a third store, etc., and we will do that as well. Plus, small towns have been a good source of growth for some parts of our business. We will continue to do that. New residential markets which emerge in big cities, that will also be a part of the growth ambition. In many markets, we have a store. Can we make the store bigger? We have got something called Project Stretch by which we see how we can have larger stores in the same location, so that will also happen. So, it will be a combination, Abhijeet, of all of these by which our expansion will happen. Is there any brand where we will do open more or less? The way it works is each brand charts out its own whitespaces, and there is a fairly large whitespace list on each brand, and then the brands go after that.

Abhijeet Kundu:

And last one thing. I think it is not much relevant to you, but just for the record. Does the sharp increase in crude derivative affect you in any way? Because you are moving on the premium price, your cotton, polyester dependence would be lower. So, just that.

Vishak Kumar:

But if you want me to answer that, I think the simple answer is yes. There is a correlation in prices, so our sourcing teams are constantly looking at ways to mitigate impacts of any cost increases. We will continue to do that. But simple answer, yes, crude has an impact on polyester. There are a lot of our product categories which have very modern handwriting, which have



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polyester. A lot of bottom weights have polyester in them. So, that is there, and it's real. We are constantly looking at ways by which we address impacts of that. Simple answer, yes.

Abhijeet Kundu: And what could be the probable, I mean, broad impact, percentage wise, if you can?

Vishak Kumar: I think we will have to take it as it comes, because some of this is very fluid right now. We also have fairly strong positions we have already taken for our autumn-winter buying, etc. Those prices are locked already, because a large part of our autumn-winter buying we complete in January, February. So, some of that is already there. So, we will have to see for seasons ahead of that, and some parts which are still open to buy those. So, it's not a direct answer, Abhijeet, of what happens today in cost versus what it will impact us. So, we will have to take it as it comes, Abhijeet.

Abhijeet Kundu: Understood. Thanks. That's it from my side.

Moderator: Thank you. Next question is from the line of Kunal Bhatia from Dalal and Broacha Stock Broking Ltd. Please go ahead.

Kunal Bhatia: Yes. Thanks for the opportunity. So, I just wanted to understand in terms of the store expansion. So, what is it that we are looking out? Are we planning to have more of a Tier-2, Tier-3 kind of expansion? Are we still looking at the metro kind of an opportunity for our brands? Secondly, a related question is how feasible are we getting, say, real estate or things on rent? Are those things difficult in terms of getting the right expansion going forward? If you could throw some light on these two points.

Vishak Kumar: Yes. Kunal, I will build on what I said to Abhijeet earlier. So one, of course, our momentum will continue across various kinds of markets. I will tell you, for instance, yesterday we just went through an event with the Phoenix Group where they are launching new malls in Chandigarh. They are launching new malls in Thane and so on. So, every city is going through a lot of expansion. Phoenix will open in Kolkata. So, we will go through wherever real estate opportunities come up like that, and a lot of that will be in big cities. Some of that will be in mid-towns. Some of that will be in small towns. That momentum will continue. Also, because of the kind of portfolio and the relevance of our brands, we are also very close partners for a lot of people who create real estate, and we work closely with them. So, it allows us to be able to get the most of the opportunities in the market, and we will continue to do that, Kunal.

Kuanl Bhatia: And also one bookkeeping question, sir. What explains the difference between the raw material cost on the standalone and the consol end because your raw material cost is higher on the standalone business vis-à-vis on the consol. Could you explain the math's, please?

Dharmendra Lodha: This is an elimination between our subsidiary companies. We can explain you separately offline.



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Kunal Bhatia: Okay. And finally, in terms of the margins, do we believe the margins, this is the peak what we have seen as far as the Lifestyle Brands are concerned, or is there still some space to grow in here?

Vishak Kumar: So, Kunal, let's look at where all can leverage come from. At one level, leverage is the better the retail like-to-likes are, there is juice in terms of cost leverage around that because a lot of real estate is fixed cost. So, as we keep improving retail productivity, you keep getting that leverage. It won't be dramatic, but there will be continuous improvements that happen in that. So, you should expect some basis point improvements as you go along. Apart from that, overall business growth itself gives some leverage across overall fixed costs, and that should continue. So, have we peaked out? No, not yet. But can you expect dramatic changes in margin profile? Not really.

Kunal Bhatia: Okay. So, but start of this year, have you seen inflation kicking in? So, maybe say the initial quarters would have a difficulty in terms of maintaining the same level of margins?

Vishak Kumar: Simple answer, not yet, but we will have to see how it plays out. Some of these cost impacts, like I was explaining to Abhijeet, have a lag effect. So, we will have to see how it plays out and responds suitably. So, yes, we will have to watch this carefully next few months as there is potential of crude oil and all of that. We will have to just watch it closely, Kunal.

Kunal Bhatia: Okay. Thank you, sir.

Vishak Kumar: Thanks, Kunal.

Moderator: Thank you. Next question is from Devanshu Bansal from Emkay Global Financial Services Limited. Please go ahead.

Devanshu Bansal: Hi Vishak. Thanks for taking my question. Vishak, I wanted to understand among the four channels of the Lifestyle segment, the other channel has picked up strongly in this quarter, right? So, we were at a run rate of about INR 65 crores to INR 70 crores. This time around it is closer to INR 120 crore, INR 130 crores. So, what has driven this uplift? And I am asking this specifically because I don't have an idea as in what kind of business we do in that particular segment.

Vishak Kumar: So, there are two, three things. Largely, it is the contract manufacturing, which I was just explaining to Abhijeet. So, that is one part of it. And Devanshu, we built additional manufacturing capacity. And hence we had the ability to grow this business larger. There's also institutional business and a few other things which have also had a good run in the last quarter. Okay.



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Devanshu Bansal: But like going back to previous participant's question as well, the subsidiary profitability is actually 40 crores in this quarter, right? So, is this related to this B2B business that you have done, particular to this quarter?

Vishak Kumar: Dharmendra, you want to take that?

Dharmendra Lodha: These are one-time PLI benefits which we have accounted in the financials. Our subsidiary is eligible for the PLI and we have achieved those targets. So, that's a one-time benefit.

Devanshu Bansal: What is the amount? And is it recognized in the Lifestyle segment?

Vishak Kumar: So, Devanshu, let me simplify this for you. So, we have created a new factory in Pulivendula. There was a PLI scheme. But if you look at the overall cost of goods sold from that factory over the four quarters, it averages itself. But some of that benefit would have come in Q4, about INR 20 crores would have come in Q4 from that.

Devanshu Bansal: Okay. So, in a way, your Lifestyle business margin needs to be adjusted for that, right? So, it is kind of a one-off.

Vishak Kumar: My request to you would be to look at Lifestyle margin over a four-quarter period, which would have expanded by about 20 basis points for the year. So, that would be a fair comparison, for a full year comparison, about 20 basis points is what we would have improved really by for the full year. That's the real apples-to-apples picture.

Devanshu Bansal: And Vishak, even on a full year basis, if we see, right, so your overall growth in the Lifestyle segment is in high single-digit, right 8% and if we compare it with some of the other mid-premium branded players, they are delivering about low double-digit kind of a growth, right? So, while you sort of attributed this to some preponements and postponements, but for a full year basis, I guess there has been some lag in terms of growth. Last quarter, you did mention that you are in a phase of network consolidation, which is impacting your growth. But going into the next year, when we will sort of accelerate our store expansion as well, can we expect this segment to return to that low double-digit kind of a growth profile? Is that a fair assumption?

Vishak Kumar: Yes, I think so, Devanshu. And just to give it a little more logic, if you look at last two quarters, we have been at double-digit growth in the Lifestyle business. It was H1 actually where some of the impact on e-com rationalization had happened. And that is what had impacted the full year even on e-com. So, if you look at full year for e-com, it's almost flat, even though the second half of the year on e-com was a very significant growth. So, last two quarters, if you see, it's been a double-digit journey. So, those fundamentals continue as we get into the new year as well.



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Devanshu Bansal: Vishak, just one small feedback also. So, while in retail segment, we include stores for Lifestyle brand as well as factory outlets, right, in the retail revenue perspective. But when we disclose our store count, we only disclose the branded stores. We don't include the outlet stores in that. So, it becomes difficult to sort of analyze your performance. So, I parked this feedback to the IR team as well.

Vishak Kumar: Whatever granularity you want, we will share that with you. It's available fairly easily even in public domain, but we will share that with you. And any slice and dice that you want, Devanshu, we will share that with you.

Devanshu Bansal: Sure. Thank you so much.

Vishak Kumar: Thanks for this, Devanshu.

Moderator: Thank you. Next question is from the line of Avinash Karumanchi from Motilal Oswal Financial Services Limited. Please go ahead.

Avinash Karumanchi: Hi, sir. Good evening. So, my question is again on the store consolidation. Last year, we have seen a good amount of store consolidation. So, the first part is that the 8% LTL that we have delivered, can it be attributed to because of the store closures? And point #2, are we done with the store closures or is this a continuous phenomenon going forward?

Vishak Kumar: Okay. First things first, I think 8% like-for-like is fairly built on fundamentals. Okay. To answer your second question, will we ever stop closing stores? I think it will be difficult because locations do become irrelevant over a period of time. Okay. So, my sense is 3% to 5% store closures depending on different brands and different contexts. Would be a fair expectation. So, in a very good year, you close about 90 stores. In bad year, maybe you close more than that. So, to that extent, we did more of the heavy lifting last year. So, this year should be in that sense relatively lesser closures. But will closures ever become zero? It won't. So, there will be some amount of closures.

Avinash Karumanchi: No, I understand that. I am only referring to the quantum of the closures. That's right.

Vishak Kumar: So, you are right. So, I think Avinash, to that extent, yes, the number of closures would be lesser this year. And hence the net expansion that you should see this year will also be stronger.

Avinash Karumanchi: Understood. So, the next question is regarding this 8% LTL growth. So, what exactly is driving this growth? I don't mean a specific breakup, but what are the three, four things that are helping you to achieve this kind of LTL growth?



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Vishak Kumar: So, at one level, of course, there is overall market growth itself, and we are making the most of that. We have constantly pivoted to what kind of merchandise consumers want, product categories as trends have changed. And we have tried to make sure that we have given that to consumers. A lot of work around innovations in product categories. And I think this answer I would have to give by each brand, what is happening on each brand for growth. For example, let's say in Allen Solly, very strong growth on the women's lines as well. So, that is, again, something which is fueling. And there, I think we have only got started. There should be a lot more of momentum there. In Reebok, like I was explaining earlier to Shravan, I think there's a lot of opportunity on product innovations, a lot of category play that we are getting into more penetration around those that will drive L-to-L. I think our L-to-Ls, there's still a lot of opportunity for continuous improvement there. My sense is a 7% like-to-like over a steady state period is what we should project in this business.

Avinash Karumanchi: Understood, sir. And one last thing, a bookkeeping question. So, if I look at the rental costs that are above EBITDA, they are actually declined on a full year basis and also for the 4th Quarter. So, is this because of some accounting changes in the franchise partners or how should we look at it?

Vishak Kumar: Okay. Dharmendra, you want to take that?

Dharmendra Lodha: So, no, there's no accounting policy changes. Largely, it is an IndAS related impact. Yes. So, it's more fixed rental than variable rental.

Avinash Karumanchi: Okay. That is it from my side.

Moderator: Thank you. Next question is from the line of Tejash Shah from Avendus Spark Institutional Equities. Please go ahead.

Tejash Shah: Hi, Vishak. Thanks for the opportunity. Vishak, we are somewhere in the middle of the season for the quarter and there seems to be very broad-based consumption recovery, which is visible based on the results announced so far. Largely, everybody would have kind of shown acceleration. So, based on this, first, what's your read on the consumer sentiment as of now? And second, looking at the ensuing inflation, which will hit the P&L or which will hit the consumer also in coming two quarters if things don't improve where we are today on raw material front, what is your assessment that will there be a pricing power that will allow us to pass it on without hurting demand or there will be a challenge there? So, these are two broader questions.

Vishak Kumar: Tejash, these are million-dollar questions. Okay, all of us have to figure out how this will pan out. As a business, what we can do, Tejash, is to stay nimble, stay agile to opportunities and trends in market, stay tight on costs, work closely with vendor partners to be able to get the best of possible prices, etc. That's what we can do. There is lots of combinations of headwinds and



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tailwinds that we will have to see how they will play out. So, I would only say this, for example, last year, May was a little subdued because of some of the external influences around Operation Sindoor and all of that. That is not there this year. But there are other aspects. So, we will have to see how much of the headwinds and tailwinds play out. As a business, what we can do is to stay agile, stay nimble, stay cost tight, etc., so that we are able to come out stronger through all of this.

Tejash Shah: Okay. And looking at the scenario where we are today, how would you plan for network expansion this year?

Vishak Kumar: So, I just said that to Avinash. I think network expansion should continue strong. And considering where we are as an overall network, I am expecting that overall store closures should also be lesser this year. So, the net expansion number should be stronger this year. So, far, I would say the pipeline that we have got tells me that we should be all right this year on expansion. So, that momentum you would see panning out over the next few quarters. I think we should be decent on expansion.

Tejash Shah: Any number you can assign to?

Vishak Kumar: So, we have put a number. INR 250 crores to INR 300 crores is what we have said. Some of it also depends on when the malls actually open up and so on. But yes, that's the broad number that we would look at.

Tejash Shah: Okay. And in terms of percentage, this would be what growth? I am just back-calculating.

Vishak Kumar: So, 3,300-store network. If you add 300 stores, that's about 8% network. But you will have to see how much annualization you get out of that, because they won't be there for the full year. So, yes, you will have to see how much of that, when does it land. And then there are closures that you will have to subtract. So, that's the broad math that you will have to do Tejash.

Tejash Shah: Okay. And is it right to assume that this will be slightly back ended, considering where are we right now in terms of macro environment?

Vishak Kumar: No, I don't think the macro environment will impact the store expansion. Store expansion will still be a function of supply of real estate, and when it comes up, how quickly the built-to-suit properties happen, how quickly the malls happen. I don't think it will be too much impacted by macro considerations.

Tejash Shah: Thanks. That's all from my side.

Vishak Kumar: Yes, thanks, Tejash.



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- Moderator:** Thank you. Next question is from the line of Jignanshu Gor from Bernstein. Please go ahead.
- Jignanshu Gor:** Hi. Thank you for the opportunity. Just a quick question on the P&L structure. So, I understand on a full year basis '25 versus '26, right? While we have grown, we have plowed back a lot of that growth into probably marketing or into COGS, right? Because both the gross margins is down and other expenses have increased materially. What would you say is the shape of these marketing money that we are putting in, right? So, how do we figure out the margin expansion opportunity from here? Like is it a variable expense going forward or do we think that it's a fixed expense?
- Vishak Kumar:** I am not sure where you are reading this. If you look at our full year, our margins have expanded. If you look at it purely from Lifestyle perspective, margins have expanded by 20 basis points. If you look at it, of course, overall, the Emerging Business margin expansion actually has been much stronger. So, of course, we have continued to be advertising strong, but margins have actually expanded. So, I am not sure where you are picking the information from.
- Jignanshu Gor:** So, I am looking at the overall expense line on the consol P&L and specifically other expenses which have grown much ahead of revenue growth and trying to understand what that line item might include and what of it is variable or fixed to figure out the margin expansion opportunity ahead.
- Vishak Kumar:** So, even in that sheet, you are seeing margin growth only. So, I am still struggling to see that.
- Jignanshu Gor:** No, I think we can take this offline. Yes, we can take this offline. Happy to do that. Let me slip in my second question. On the capital allocation, I think you also reiterated it at the start of this call that given the strong cash flow generation from this business, we want it to be debt-free. But we have not paid off a lot of debt. Our net debt has gone down, but not as much. Assuming we have used the cash for business growth. So, is there a view that we have on when do we want to sort of do this balancing act and how do we prioritize the allocation between growth versus reducing the debt?
- Vishak Kumar:** So, first things first, Jignanshu. I think our debts are fairly within norms as a business. Having said that, I think this will be a business which will continue to generate cash, even stronger cash flows over the years, and you should expect that. Even after investing into growth, we should be able to generate cash. We will continue to do whatever we need to for fueling growth. But as you know, our business is not as dependent on CAPEX for growth. We also have a lot of partner-driven expansion, etc., which will also continue. So, the simple answer is yes. Going ahead also, the business will continue to deliver cash flow, in fact, stronger than current year. How much of net debt to retire, etc., some of those are calls you can take on whether it should be zero or not zero, etc. But fundamentally, this business will continue to generate decent cash flows.



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- Jignanshu Gor:** And your priority is to use it for growth, right? Keep reinvesting as much as you can.
- Vishak Kumar:** Yes, but I am saying it's still a finite amount that I would require for growth. There will be still cash flow after that.
- Jignanshu Gor:** Fair enough. Thank you.
- Moderator:** Next question is from the line of Shreya Baheti from Anand Rathi Institutional Equity. Please go ahead.
- Shreya Baheti:** Hi, sir. Sir, I just wanted to know what is the net additions for Lifestyle brand for the full year FY26?
- Vishak Kumar:** Sir, I don't have it exactly, but my guess will be about 55-60 store net additions.
- Shreya Baheti:** Okay. Thank you, sir.
- Vishak Kumar:** Thanks, Shreya.
- Moderator:** Thank you. Next question is from the line of Aditya Bansal from Motilal Oswal Financial Services Limited. Please go ahead.
- Aditya Bansal:** Yes, thanks for taking my question. Just wanted to understand the CAPEX in a bit more detail. You mentioned around INR 250 crores - INR 300 crores overall CAPEX. Last year, we had manufacturing CAPEX as well. And you are talking about somewhere around 300 store additions. Some of it will also be done by franchisee. So, like, things are not adding up. So, can you just shed some more light on the CAPEX like, what all will it be?
- Vishak Kumar:** Yes. So, if you look at our CAPEX structure, largely there is about INR 50 crores – INR 60 crores of routine CAPEX, including repairs and stuff like that. Expansion would be a very significant stretch. Between expansion and renovations would be about INR 200-odd crores, right? Then there is CAPEX around maintenance. There is still some manufacturing CAPEXes, which you would incur even when you are not creating new factories. There will be some line expansion, some upgradation, some technology enhancements, and so on that would be there. So, to answer your question very directly and simply, out of, say, INR 300 crores of CAPEX, about INR 200 crores would go into retail expansion. There's also a fair amount of shop 'n' shop expansions and so on also which happen, which will contribute to some of the balance number.
- Aditya Bansal:** Sure. Thanks a lot for this. The other one was on Van Heusen Innerwear. So, if I am correct, you mentioned given by somewhere around 4Q FY27. So, can you just give some sense in terms of the scale of that and current losses that you may have in that business?



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Vishak Kumar: Okay. So, Aditya, I think it was a good year for Van Heusen Innerwear, in a way, and losses have come down. I did say that I hope to have at least one profitable quarter in FY27. I do hope to be able to deliver on that. Of course, it will be the best quarter of the year, which will be a positive quarter, and then we will have to work towards making sure that every quarter works like that. So, I think it's about maybe six quarters away for us to be able to then say that it's steady state every quarter profitable, but at least one profitable quarter this year is what we are targeting.

Aditya Bansal: Sure. And in terms of revenue any numbers in current size?

Vishak Kumar: You are talking about Innerwear?

Aditya Bansal: Yes.

Vishak Kumar: So, it's a double-digit growth number, Aditya, aided largely by a lot of retail L-to-L, which are very strong, but we have also been able to grow across other channels as well. So, it has been, in that sense, a healthy growth number as well, while a lot of focus around inventory reduction, cost reduction, etc., also continues.

Aditya Bansal: Thank you and all the best.

Moderator: Thank you. Next question is from the line of Ankit Kedia from PhillipCapital India. Please go ahead.

Ankit Kedia: So, just double-clicking on the CAPEX number again once, you just mentioned INR 200 crores for 300-odd stores. Historically, only 20%-25% of the stores are COCO stores. So, typically, for 60 stores, INR 200 crores number and 1,500 average square feet size seems to be on the higher side.

Vishak Kumar: So, half of it is renovations and project stretch, etc. So, I was just explaining to Aditya before this that about 200 is in to retail. Not all of it goes into expansion. A typical store needs to be refurbished at least once in five to six years and some of it is part renovation, some of it is full renovations. That's part of staying relevant with consumers all the time. We continue to do that. So, that is how the maps will add up for you, Ankit.

Ankit Kedia: So, today, how many of our stores are COCO stores for us where we do the CAPEX?

Vishak Kumar: ~36-37% of network. So, say about 1,200-1,250 stores would be COCO stores, Ankit.

Ankit Kedia: Understood. Our second question is on the PLI scheme. The INR 20 crores which we got, is it annual number for how many years I know it's linked to production. But typically, how will this



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number flow because that is straight to EBITDA. So, is the number on an increasing trajectory for next two, three quarters, years?

Vishak Kumar:

Ankit, let me explain this. So, first things first, it was a one-off. Okay. You don't get this again and again. Having said that, does it, hence, mean that next few quarters will have a negative impact? It won't. Because we took the hard knocks in the previous quarter. Because when you are setting up a new factory, you incur a lot of costs before the factory comes to full efficiencies. So, we took the hard knocks of that in the early quarters. We got, in a way, financially compensated for that with the PLI scheme. So, to that extent, it is broadly even-stevens, while quarter-to-quarter might have changed. Going ahead, there won't be a PLI scheme that you will get. But going ahead, your efficiency is also already improved and hence, that will anyway, per piece cost will remain similar to previous year.

Ankit Kedia:

Understood. And my last question is again, on stores expansion which brand do you see, while you have called out in earlier con calls, every brand has a lot of scope to expand. But in next two years, where do you think bulk of the expansion will happen?

Vishak Kumar:

Look, I think the easiest answer is very strong whitespaces exist in Reebok because we have a lot of catching up to do. Okay. That's the part of the business where we have the number of stores and hence that. Other than that, our SBUs all of them have very aggressive ambitions. And they drive their own white spaces, and their own expansions, etc. And at different points of time, different brands have greater or lesser attractions. So, I wouldn't play favorites here in that sense. Each of the brands has its own runway for growth and very hard we would drive that Ankit.

Ankit Kedia:

Thank you so much and all the rest.

Vishak Kumar:

Thanks, Ankit.

Moderator:

Thank you. Next question is from the line of Rohan Kampani from JM Financial. Please go ahead.

Rohan Kampani:

Hi, thank you for taking my question. So, my first question is on Reebok. I wanted to understand how sustainable is the current growth trajectory given that most brands in the industry are witnessing a rebound in demand and growth, how much of Reebok's performance is driven by broader industry recovery versus any brand-specific factors?

Vishak Kumar:

So, Rohan, if you look at steady state or at least last one year. Of course, first of all, brand has been on a very strong growth wicket in the last three years. Since we have taken over the brand three years back, it's almost doubled in size. But like I was telling Ankit earlier, we have a lot of catching up to do. So, we should, in that sense, hold ourselves to a higher standard than overall industry growth. So, we will hopefully grow faster than that. If you look at also retail like-for-



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like, we have still had a double-digit like-to-like over the year also. So, steady like-to-like, double-digit has been Reebok's performance. My sense is that also has juice and we will continue to grow on strong like-for-likes while we also expand the network across all the white spaces that we have identified. My sense is that the pipeline of product innovation is also fairly strong on Reebok. So, that should also fuel further growth. We have also created a model which goes into relatively smaller towns and that also should give us juice for growth. So, I think it should be a fairly aggressive growth trajectory on Reebok Rohan in times to come.

Rohan Kampani:

Okay, thank you. That was very helpful. And on the second bit on the valuation part, you guys alluded to Q4-FY27 breakeven. And I wanted to understand what are the levers you are taking to reach that and also any general industry trends or something related to demand or competitive intensity. If you can share your thoughts, sir.

Vishak Kumar:

So, here's what I would say, Rohan. I think for us, we have a lot of catching up to do. And in that sense, we have to set our own growth ambitions here regardless of how the industry grows. A lot of our improvements have come by significant improvements in space productivity, retail productivity, per-door productivity, and so on, which is fueling growth. We have also made significant gains across e-commerce and department stores beyond the usual wholesale trade that we are into. We have also improved the health of our overall inventory, and that should help us in times ahead. So, my sense is that this momentum of continuous improvement should continue on Van Heusen Innerwear. Q3 might be a better shot at breakeven, and hopefully we will do that. But it might still mean a slightly negative Q4 before we scale up again and become a steady-state profitable business.

Rohan Kampani:

Okay. Thank you so much. All the best.

Vishak Kumar:

Thanks, Rohan.

Moderator:

Thank you. Next question is from the line of Niharika Karnani from CapGrow Capital Advisors LLP. Please go ahead.

Niharika Karnani:

My question is on the Emerging Business segment. So, last couple of quarters were good in terms of revenue growth. And when we compare YoY EBITDA margins, so there has been improvement of around 370, which is the number. So, what led to this growth? And secondly, what margins can we expect from this business given Lifestyle business margins would remain stable? So, is it fair to believe that Emerging Business is margin?

Vishak Kumar:

Niharika, I will still attempt it. Let me broadly understand your question and try and respond to it. You are saying we have done well in Emerging Business. What made it happen and how will it go forward? So, I think look at the three big segments within Emerging Business. Reebok, like I explained, has grown significantly both on Like-for-Like and overall network and has been



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continuing in its profitable journey. As Reebok keeps improving its share, the overall Emerging Business health also on EBITDA profile also keeps improving. Van Heusen Innerwear has cut down losses and it's well on its path to profitability. So, that also helps. And then, of course, there is American Eagle business, which is a nice steady state business that we have got, which is also fine. So, from an overall point of view, hence, the shape of this business should keep continuously improving. There's also a lot of growth levers. And this is the part of business where we want to have even more aggressive growth objectives. And I hope, Niharika, that we are able to drive that. That's what I could make out of your question, Niharika.

Niharika Karnani: Sure. Just one follow-up here. Any guidance on Emerging Business's margin profile?

Vishak Kumar: Yes. So, like I said, I think you will have to look at it. While you might be seeing a composite of different segments within this, individually, all of them will contribute to a continuous improvement. So, if you look at it from almost breakeven last year on Emerging Business EBITDA, we were able to get to a nearly 4% Emerging Business EBITDA. This number should keep improving over the quarters ahead, Niharika.

Niharika Karnani: Understood. Understood. Thank you.

Vishak Kumar: All right. Thanks, Niharika.

Moderator: We will take that as the last question for today.

Vishak Kumar: Thank you to the Moderator and thanks to all the participants. Thank you very much for joining in.

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