“Aditya Birla Lifestyle Brands Limited Q1 FY '27 Earnings Conference Call”

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

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

The call will begin with a brief discussion by the company's Management on the Q1 FY '27 performance, followed by a question-and-answer session. We have with us today Mr. Ashish Dixit – Managing Director, 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’s performance and to strategic questions only. Housekeeping questions can be dealt separately with the IR team.

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

Dharmendra Lodha: Thank you. Good afternoon, everyone. Thank you for joining us today. I would like to welcome you all to the Quarter 1 FY '27 Earnings Call for Aditya Birla Lifestyle Brands Limited.

As we reflect on the quarter, domestic demand conditions remain broadly consistent with the trends witnessed in the same quarter, despite continued global microeconomic uncertainty. Consumer traction remains healthy and well distributed across categories and channels.

Occasionally, we have experienced modest moderation, primarily due to the adhik maas, which temporarily impacted demand during peak wedding period. Against this backdrop, our business delivered our third consecutive quarter of double-digit growth, driven by healthy performance across brands and channels. Importantly, this growth was accompanied by continued improvement in profitability and margin expansion during the quarter.

Now, moving to the Quarter 1 performance of our business:

ABLBL revenue grew 11% Y-o-Y to Rs. 2,046 crores. Within segments, Lifestyle Brands grew 10% Y-o-Y with revenue at Rs. 1,725 crores, whereas Emerging Brands grew at 19% versus last year to Rs. 332 crores.

Within channels, retail continued to perform strongly, delivering 10% growth during the quarter, supported by healthy like-to-like growth of 8%, extending its sustained growth momentum for seven consecutive quarters.

E-commerce continued to build on the strong momentum established in Quarter 3 last year, delivering robust growth of 23% during the quarter.

While wholesale channel grew only 5% this quarter, underlying secondary growth was early double-digit, reflecting an overall strong performance across all the channels.

Consolidated EBITDA increased by 14% Y-o-Y to Rs. 327 crores, compared to Rs. 286 crores in the corresponding quarter last year, while EBITDA margin expanded by 50 bps to 16%. PAT grew 21% Y-o-Y to Rs. 29 crores.

During the quarter, we opened more than 65 new stores across the portfolio. At the end of the quarter, our retail footprint stood at 3,362 stores, spanning nearly 5 million square feet across more than 800 cities and towns.

The expansion momentum is expected to continue more aggressively, supported by a healthy pipeline across key markets and catchment areas. We are confident to achieve our targeted expansion of more than 300 stores during this fiscal year.

Now our Lifestyle Brands, the business delivered a strong performance during the quarter, with revenue growing 10% Y-o-Y to Rs. 1,725 crores. EBITDA stood at Rs. 319 crores, translating into an EBITDA margin of 18.5%, and an expansion of approximately 40 bps over the corresponding quarter last year.

Retail continued its consistent performance, supported by healthy like-to-like growth of 7% across an extensive store network of almost 3,000 stores. Our small-town network continued to perform strongly, delivering double-digit growth for the fifth consecutive quarter.

E-commerce also maintained strong momentum, led by company’s own digital platform, which recorded a growth of over 50% during the quarter. This strong performance was supported by a broader occasion-led assortment, channel-specific offerings, and disciplined go-to-market execution across both stores and digital channels.

Turning to our Emerging Business portfolio, comprising Reebok, Van Heusen Innerwear and American Eagle, the business delivered 19% Y-o-Y growth, supported by healthy performance across brands.

Performance remained healthy across channels, with retail like-to-like growth of 11% and e-commerce growth of over 30%. Profitability also improved meaningfully, with EBITDA margin expanding by 240 bps Y-o-Y to 4.3% during the quarter. The portfolio's retail network has now crossed 400 stores, supported by continued expansion across brands, with Reebok leading new store additions and the overall network footprint.

In conclusion, the quarter reinforces our confidence in the underlying strength of our business and the resilience of our portfolio. While the external environment remains dynamic, over-diversified brand and channel mix, disciplined execution, and continued focus on driving efficiency position us well to navigate near-term fluidity in the market.

Cost pressures remain manageable during the quarter, with limited impact on performance. We will continue to respond through disciplined sourcing, prudent management of operating expenses, and appropriate business actions wherever required to maintain financial discipline.

As we look ahead, our priorities remain clear in terms of strengthening the ABLBL's business model to deliver the desired financial outcome, sustained double-digit growth, drive margin expansion, and continued cash generation through sharp focus on execution.

We are now open to questions. Thank you.

Moderator: Thank you. We will now begin with the question-and-answer session. The first question comes from the line of Archana Menon with Morgan Stanley. Please go ahead.

Archana Menon: Congratulations for the double-digit top-line growth. My first question was on the Lifestyle Brands business on the wholesale side. Could you help us understand what is the reason for the divergence between primary and secondary sales this quarter, and how should we be thinking about that going ahead?

Ashish Dixit: Hi, Archana. This is Ashish here. I think the primary difference was slight marginal delay in the festive period this time, which pushes a lot of primary billing into the second quarter. It is a shift of 10-15 days.

So, when you look at Quarter 2, you will find the Quarter 1 plus Quarter 2 in as strong a place as rest of the channels. And that is why we mentioned the secondary continues to remain strong. You will see it even out between Q1 and Q2.

Archana Menon: Also, on the cost side, what is the kind of inflation that you are seeing for your portfolio right now? And has any price hike been taken? Also, how should we be expecting margins to shape up in the coming quarter?

Ashish Dixit: Archana, as far as first quarter is concerned, there has been marginal to no cost pressure because most of this was committed much earlier. So, we haven't seen any part of that or a very small part of it. For the second half of the year, and particularly between Q2 and Q3, we expect between 3% to 4% cost increase.

This is a function of both raw material prices, higher logistics cost, in some cases, higher labor cost also due to minimum wage impact. The overall impact that we have assessed at this point of time ranges between 3% to 4%.

We expect a major part of it comes through productivity and the rest through cost rationalization. So, we don't feel a material change in margin on account of this.

Archana Menon: Also, just two bookkeeping questions from my side. Would it be possible to break down the 19% growth for Emerging Businesses by brand? And what would be your overall marketing expense to the percentage of revenue this quarter and in the base quarter?

Ashish Dixit: So, the brand-wise revenue, we don't reveal, Archana, but to give you a comfort, the two main businesses, which is Reebok and Innerwear, are closer to the overall high double-digit number. American Eagle is slightly lower on that.

On marketing expenditures, it is slightly lower than last year because last year we had invested in IPL. This year we moved primarily to digital advertising, but still about 3% to 4% of sales, about 3.5% in this quarter.

Archana Menon: Thank you so much, Ashish. I will get back in the queue.

Moderator: The next question comes from the line of Videesha Sheth with Ambit Capital. Please go ahead.

Videesha Sheth: My first question was if you can talk about the consumption landscape in the month of July. Have you seen the broader trends sustain or seen them improve in context of 1Q being impacted to some extent from adhik maas?

Ashish Dixit: So, I don't see a dramatic shift other than the seasonality factors which happens. There is an EOSS period which happens in July and that therefore is difficult to figure out underlying demand. So, I would say the broader trajectory that you have seen in Q4 last year that pretty much continues.

Videesha Sheth: And in case of the small-town store network, this is the second quarter wherein you all delivered double-digit LTL. What is driving the same and if you can help us out with the overall revenue contribution or store presence salience of the small-store format?

Ashish Dixit: We have of our network more than 500 stores in small-town. We have, as you correctly noted, for almost a year plus we are finding much stronger growth in smaller-town network. A part of it is execution, but I would also say a part of it is these markets have recovered from past struggles and we are finding it consistent.

I don't know, Videesha, if you got the earlier part of my answer.

Videesha Sheth: Is it possible to repeat the same? One part you mentioned was execution, but even within execution, is it more of new launches being focused on the lower price points or a faster pace of innovation?

Ashish Dixit: I would say that is the integral part of small-town strategy. We have devised a merchandise mix done over the last several years to clearly address, so that's not changed at all. I think it is the environment and the market conditions in small towns which is the bigger driver of shift. And we stay very confident about growing this part of the business with almost a year, year and a half, almost fifth quarter of strong double-digit growth.

Videesha Sheth: Second, what has driven this shrinkage in gross margins that we see Y-o-Y considering the fact that wholesale as a channel has underperformed versus retail piece? So, anything particular that you would like to call out here?

Ashish Dixit: No, not really. This quarter is marginally lower than last year. Most of it happens because of provisioning that we do quarter-on-quarter, depending on the situation. I don't think this is material or meaningful in any sense.

Videesha Sheth: And just one small clarification to the earlier comment. So, you talked about how there could be 3% to 4% cost increase in the remaining part of FY '27. So, how could you land up mitigating the same in terms of avoiding margin compression? So, I did hear that you called out on sourcing or the sourcing efficiencies or the productivity part of it playing out, but are you looking to take any price hikes in the portfolio?

Ashish Dixit: Yes, we have taken smaller priced price hikes. They are not very large, but we have taken price hikes to compensate for that.

Videesha Sheth: Possible to call out the quantum of the price hike, ballpark?

Ashish Dixit: It varies across brands and categories, but it is primarily to take care of large part of this increase, primarily to offset this. So, this is no other parameter.

Videesha Sheth: I will get back in the queue.

Moderator: The next question comes from the line of Sameer Gupta with IIFL Capital. Please go ahead.

Sameer Gupta: Firstly, I know this was discussed partly, but there is still a gross margin contraction of around 150 basis points this quarter. And you mentioned that the RM pressure has not really reflected in this particular quarter. So, what exactly is driving this GM contraction? Is it more of a mixed thing? Is it higher discounting or provisioning that has led to this? If you could elaborate on that, sir.

Ashish Dixit: Yes, I think as I mentioned before, this quarter has not seen raw material price increase in any tangible manner. So, that is not the reason driving it. It is a combination of channel mix, because different channels have different gross margins and slightly higher provisioning, which also keep moving quarter-on-quarter.

Our policy is consistent, but its application delivers slightly different results. So, this quarter, we seem to be on slightly adverse side. But it is not material. It will even out as we progress during the year.

Sameer Gupta: And the higher provisioning is also influenced by the change in festive timings, et cetera?

Ashish Dixit: Not really. It is actually, we have a consistent policy of taking a certain level of provisioning depending on the age of the inventory, and it keeps moving on. So, some quarters you find it higher, some quarter lower. I don't think I can attribute it fully to that. And a part of it is, of course, channel mix.

Sameer Gupta: No worries. Second question, and again, you mentioned it in some ways, but just wanted you to elaborate on this. So, most of the plants are located in Karnataka, and the government there has announced a very sharp increase in minimum wages.

What we understand from industry is that it is yet to be affected. But in any case, garment is currently excluded. But let's say if the hike was to include garmenting as well, what kind of impact do you foresee in near term? And what kind of measures would be taken to mitigate the same?

Ashish Dixit: So, we have a diversified now, increasingly more diversified portfolio of manufacturing base. First of all, a large part of our sourcing happens outside, manufacturing constitutes about 40% of our overall production. That manufacturing also has got diversified in last few years between Tamil Nadu, Andhra Pradesh and Odisha. So, there is a diversified play.

As you know, the current increase is with health and it is still at the high court level. We will respond appropriately as we find a decision coming on that.

Sameer Gupta: And just to clarify, the increase which is withheld basically was the garment was never the part of it in any case, right?

Ashish Dixit: Yes. So, it is never a part of it. Therefore, we are out of it. And that has been our stance. But in any case, longer-term diversification is also under play. And that is what we have been doing over the last several years.

Sameer Gupta: And the minimum wages which you were referring to in your opening remarks, that was basically to do with other states like U.P., Haryana and Telangana.

Ashish Dixit: Yes, primarily other states.

Sameer Gupta: Last question, if I may squeeze in. So, e-commerce as a channel has witnessed very strong growth within Lifestyle Brands. This is the last three quarters at least that we are talking. And can you tell us about the economics of this channel a bit? Where does it sit in the overall profitability piece? Is it on an EBITDA or a contribution per piece level across channels? Where does it rank and how has it moved over time?

I understand that you are not participating in this channel a few years back, meaningfully. So, what really has changed maybe in the industry landscape or from your own efforts, which is leading to this kind of growth?

Ashish Dixit: Yes, I would say it is a good question. And thanks for highlighting this. If you look at the overall trend over the last three to four years, you had heard commentary from me and Vishak over the years on how we have sort of let some of the growth opportunity in e-commerce pass.

A prime part of it is a large part of this growth was driven by steeper discount, very competitive pressure, which at some level gets you growth, but the quality of growth is suspect. And we have therefore been very disciplined about it.

Over the years, we have managed to bring this channel profitability very close to our retail profitability. It is just marginally lower than our retail profitability. And now that we have got to this level, having exercised a very disciplined and patient approach to building this channel, you are starting to see the growth on that base. And that is the result that is going through.

I am very confident from here on, we will be able to grow this channel in line with the growth and organic growth and opportunity that this channel offers without having to pursue margin dilutive or very, very highly discount-led growth.

Sameer Gupta: That's all from me.

Moderator: The next question comes from the line of Devanshu Bansal with Emkay Global Financial Service. Please go ahead.

Devanshu Bansal: The PPT mentioned that inflation needs to be watched out, right? So, from a consumption perspective across various consumption aspects, the consumer is facing inflation. I wanted to check as per your experience, what can be the possible impact on demand? Because there is inflation across several categories, and we have also taken some price hikes, right? So, how do you view the upcoming quarters from that perspective?

Ashish Dixit: I think we have called out a small bit of caution around it. We were nervous about it even as we entered Q1, entering Q2. So, far, we haven't seen a shift, at least a meaningful shift in demand trajectory.

But we are cautious that this may play out in the second half of the year. And therefore, we have called out in our commentary. As and when it plays out, we will obviously have to respond to that at that point of time.

There is a benefit of small price increases. We have made sure that those are very, very minimal. And at least from the price side in apparel, you won't see meaningful inflation. But yes, in consumers' overall wallet, there is an inflation. So, that is the only point. At this point of time, we have not seen on ground an impact of it. And we will keep watching as we go along.

Devanshu Bansal: And sir, you typically do this study on brand recall, right? So, in our Investor Day, we highlighted that some of the brands stand low. If you have done any recent study, if you could highlight what are the key takeaways from that across our key lifestyle brands, it will be helpful.

Ashish Dixit: So, I think there is nothing, no big, because these equity results build equity over a long period of time. And the performance has been stable. We have been doing it over 20-25 years.

We do it annually. I don't see a big shift. Some of our bigger brands obviously have benefited from larger exposure and over a longer period of time, continue to remain strong. There is nothing which has changed dramatically for us to call out at this point.

Devanshu Bansal: And you addressed this online part in terms of improved profitability for this channel. Now, quick commerce is also sort of gaining strong traction, right? So, if we see our positioning on that particular channel, if you could highlight which brands can take good amount of traction in that channel, it will be helpful.

Ashish Dixit: So, we work with all the large and meaningful operator in quick commerce. At this point of time, considering our size, quick commerce is very, very small, very small part of unlike regular consumption category, fashion business has remained, at least the premium fashion has remained strong. We continue to participate, but overall size of the business has not been very significant at this point for us.

Devanshu Bansal: Sir, which consumption occasions can be catered as in maybe formal, casual? What is your sense, initial sense as in what all consumption demand can be catered, which all maybe the brands can benefit specifically in your portfolio, if you have any initial sort of things that you can highlight?

Ashish Dixit: I think innerwear is the largest part of our current business as far as quick commerce is concerned. There is a small bit of regular formal wear, but it is very small at this point. I don't think I can call out any meaningful piece.

There may be other occasions like party or going out, which probably have tendency and potential to move to quick commerce in a slightly higher level, but all those cumulatively at this point of time are small.

Devanshu Bansal: Sir, just last one from my end, because we have sort of demerged the business recently. So, based on your historical understanding, so typically from a revenue PAT salience perspective, what is the ballpark percentage that this quarter sort of contributes for the overall year, if you could throw any kind of light on this front?

Ashish Dixit: This quarter is typically about 18, no, slightly higher than 20%, between 21%-22%.

Devanshu Bansal: And this is on revenue, you are saying?

Ashish Dixit: Yes, I am talking of revenue.

Devanshu Bansal: Anything on EBITDA, PAT perspective, as in because I guess margins also keeps changing.

Ashish Dixit: Yes, we have, as you know, the business has high operating leverage. So, 20% of revenue comes down to less than half of that, 10-odd percent, even less than that, as far as the profitability is concerned, either at PBT or PAT level. Very ballpark numbers, and we will have to look at the past closely, but...

Moderator: The next question comes from the line of Hemant Shah with ENAM AMC. Please go ahead.

Hemant Shah: I just wanted to understand on Van Heusen Innerwear, if only we could be at about 38,000 to 40,000 trade updates, where do you see this going in the medium to long term?

Ashish Dixit: Sorry, I couldn't hear you clearly, but are you saying where do we see the distribution network going?

Hemant Shah: Yes.

Ashish Dixit: So, I think at this point of time, we will continue to, because compared to the overall size of the market, we are still under-penetrated with 38,000, 40,000. Over the next couple of years, we expect in line with the overall growth, about 20% kind of addition in the network as well.

Hemant Shah: Secondly, again on the Van Heusen, where do you see the interaction?

Just wanted to understand the traction in the price points, whether entry-level price points are doing well, premium doing well? What is the current market scenario in terms of price points?

Ashish Dixit: So, I don't think I can talk about the market as much. As far as our business is concerned, as you know, we are the largest part of our business at the premium end, and that is the part which is growing with us. We still have opportunity at the entry price points, but the current traction is more at the mid-to-premium end, which is the higher end of the market.

Hemant Shah: Just last one on Reebok. I just wanted to understand whether we are facing any BIS-related issues, and if you could also explain the sourcing in brief.

Ashish Dixit: So, BIS does remain a problem. As you know, the factories have to get the BIS approval on an ongoing and annual basis, and we are still continuing to operate with a couple of factories outside India. But as a part of our overall long-term strategy, we have built a very strong domestic base so that we are not impacted when the regulatory changes come in.

For international imports, we are constantly creating substrate and Indian sourcing and vendors. Our factories, which we import from, are currently BIS-enabled. So, that is a process that we will have to update every year because it comes up for annual renewal.

So, we are basically continuing to diversify while our current operations and current source, which is from outside India, is very stable.

Moderator: The next question comes from the line of Mohammad Harris with YES Securities. Please go ahead.

Mohammad Harris: Just wanted to ask, you mentioned the traction is there in the mid-to-premium price point, while the overall growth in rural stores has been good as well. So, shouldn't this be, the growth should be more from the value format side, right, and not from the lifestyle brand side, for my understanding?

Ashish Dixit: No, as we reported, the Lifestyle Brands are growing. This is seventh quarter of strong like-to-like growth. So, consistently same store growth and a large part of the network and Lifestyle

Brands business is in bigger cities, let's say top 30, 40 cities, which contribute to significant part of it.

So, they are growing extremely well. There is solid, robust, well-rounded growth consistently delivered over a long period of time. The only point is the smaller parts of business. Currently, the smaller town portfolio is relatively small as overall portfolio, but it is growing even faster.

It is a long-term growth driver, small format, and therefore we continue to talk about it as it has emerged from a period of relatively low base in, let's say, 23 to 25. Last year, year and a half, we are beginning to find very strong growth coming in small town as well. That is the small part of our business.

Mohammad Harris: And these in smaller towns should be the Peter England stores mostly, right, in the value format?

Ashish Dixit: No, I think Allen Solly, Van Heusen, and in some cases even Louis Philippe has these small town stores. So, Peter England is the largest, but the other premium brands also have distribution there.

Mohammad Harris: And roughly in terms of FY '26 numbers, if you can give that brand-wise, what is the size currently? I know you don't give very detailed numbers, but anything ballpark figures per brand, that would be very helpful, sir.

Ashish Dixit: So, we don't, I mean, there is a reason we have stayed consistent at the level of reporting that we do. I don't think I want to give further split. We don't give at that level.

Moderator: The next question comes from the line of Jignanshu Gor with Bernstein. Please go ahead.

Jignanshu Gor: I am sorry for the disturbance earlier. I wanted to take your help and double click on the Lifestyle Brand LFL growth that we have seen, I think, as you mentioned, Ashish, quite consistently now over a few quarters.

So, sort of a few questions to understand that growth better. One, what is our assessment? Are we gaining market share in those micro markets? Or are we sort of growing in line with the industry?

Second, is the growth driven more by sort of footfalls, conversion, price? How are we thinking about this in the future? And what sort of are our North Star metric for this?

Ashish Dixit: So, I think if you look at retail channels, we do believe our growth is definitely marginally ahead of the industry. Because we are talking of seven, eight quarters of consistent high single digit, some quarters double-digit growth for lifestyle brands. So, that has been very robust. And this is over 3,000 plus stores across the country, North, South, East, West, different formats, small, high street. So, fairly robust and well rounded growth over a long period of time.

I think the largest driver to my mind has been, and that has been the story of these brands is really around continuously contemporizing merchandise, improving store experience and service. Part of it also comes from continuous premiumization, which comes with superior product, better fabric, and equivalent therefore, price increases.

So, it would be split between price increase and footfalls. But probably even if I don't have the exact data, but over a longer term when I see, a half of it at least would be coming through premiumization.

Jignanshu Gor: This is helpful. And this would be across all our four major lifestyle brands, or would you say one is more geared towards premiumization versus one towards more volumes?

Ashish Dixit: So, I think the three premium brands, Louis Philippe, Van Heusen, Allen Solly, definitely are more primed for premiumization. And you see that in the products.

Peter England has both sides of it. There is a premiumization in the brand. And at the same time, there is a sharper value proposition, which drives the small town business, which is larger in Peter England. So, it plays at both ends of the premium market.

Jignanshu Gor: And just a quick follow up to this. Are you also seeing any, I think the last time that we did the last two times in our investor days, when we have presented the mix of categories between these brands, between formal and informal very broadly, informal share has been increasing. Since we presented this data in the Investor Day last, has there been a meaningful further shift? Or is it broadly stable now, the split between formal and informal wear?

Ashish Dixit: I think it continues to grow, the share of casual wear continues to grow. So, I won't say stable. We have seen even in a period of one year, you would find typically between two to three percentage point increase in the share of casual wear.

Jignanshu Gor: Very, very helpful. I think that is the question I had.

Moderator: The next question comes from the line of Aditya Bansal with Motilal Oswal Financial Service. Please go ahead.

Aditya Bansal: Can you first confirm the gross store additions for this quarter? Did I hear it correct, it was 65?

Ashish Dixit: It was 68. 68, right? 68 was the gross total.

Aditya Bansal: And if I look at on a net basis, the numbers are quite low. So, can you just explain in terms of like, what is still driving this ambition for future?

Ashish Dixit: So, typically, what we do is at the beginning of the year, we take calls on the rationalization of network somewhere around January, February, when we have seen the season post-Diwali and evaluated the network performance. And between February to July, which is before the peak season, is when we take the actual implementation of the closures, because some of them have notice periods, et cetera. So, you will always find that this part of the year will have more closure, while the expansion is actually more towards the second half of the year.

Aditya Bansal: That is helpful. And when we talk about 300 store additions, I presume we are talking about gross. Can you just help us understand like, what would be the same on the net basis?

Ashish Dixit: On a net basis, I think we will close in the year between 120 to 140 odd stores, sometimes a little higher, sometimes a little lower. And therefore, the net number would be function of where we end up with that. So, somewhere, net number between 150 to 200 stores versus the gross number closer to 300 stores.

Aditya Bansal: So, like, if I look at in terms of store opening, that will be like, I am also assuming some increase in the store size, so that will hardly contribute to a mid-single digit sort of a growth. So, like, what are our views in terms of LFL sustaining, even though we are doing a lot of closures? So, what is it that we are building so that we can deliver a consistent double-digit growth here?

Ashish Dixit: So, if we do the math, I mean, 200 stores on a 3,000 store network, typically slightly larger than the base network, should give us higher than 5%-6% kind of network-related growth. We also believe, we have demonstrated over a long period of time, between 7% to 8% kind of like-to-like growth. So, sometimes some numbers are higher, some numbers are lower, but that gives us confidence retail can grow in early double digits.

Moderator: The next question comes from the line of Prerna Jhunjhunwala with Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Just wanted to understand how your brand portfolio is catering to the Gen-Z target audience and how are you looking forward to add stores between Tier 1, Tier 2, and Tier 3 as Tier 2 and Tier 3 are actually driving growth across brands currently. So, need clarification on these two sides.

Ashish Dixit: So, as far as the Gen-Z customers are concerned, I think each of the brand has a proposition which is more reflective of merchandise individually. It is arguably a smaller part of our current business, but brands are focusing on ensuring that customer is somebody we don't lose out on. A significant part of our effort in merchandising shift is actually built around that.

Prerna Jhunjhunwala: Could you elaborate on this? How are you looking forward to increase the share of Gen-Z? How much it could reach going forward? And what are the SKUs?

Ashish Dixit: I don't have the numbers to share that with you, but this is the effort of each of the brands as they create designs and merchandise for the customer, because a lot of it is about the kind of products that you make. And because that is something that is an ongoing process, each of the brand has been working on that. And that is a part of our business.

Of course, some brands are more tuned to it, brands like Reebok, etc. Similarly, Peter England has a sub-brand called Vybe and also there are collections in Allen Solly. So, each of the brand has part of their portfolio, which is dedicated to address these customers. And over a period of time, we expect this part to grow. Some have clear sub-brands, some have collections or parts of merchandise, but that is a part of portfolio that will grow with time.

As far as your second question was around distribution expansion, we have distinct strategies for large metros, big cities versus small town customers. And a part of what you heard in today's conversation about fifth consecutive quarter of double-digit growth in small town is primarily a reflection of our ability to uniquely address those markets in terms of retail format, price proposition, the kind of merchandise assortment.

So, we understand that India is tiered and different customers are looking at different kinds of merchandise selection. And we have created that ability in the system to operate both at the metro and Tier 1 at one level, and Tier 3 and Tier 4 at another level.

Prerna Jhunjhunwala: So, what will be the growth currently in these markets, Tier 1 versus Tier 2 and Tier 3?

Ashish Dixit: So, Tier 3, tier 4 markets where small towns are, which is a small part of our business, is growing in excess of 15%, while metros in Tier 1 is growing closer to 10%. So, that is the kind of difference that we have for the last year, year and a half.

The picture was slightly different two years back, two and a half years back, when the smaller towns were actually under pressure and some of them were declining or growing very margially, but that's changed in last 18 months.

Moderator: The next question comes from the line of Devanshu Bansal with Emkay Global Financial Services. Please go ahead.

Devanshu Bansal: Thanks for the follow-up opportunity. This question is sort of to understand the business performance of Reebok better. We are seeing a very strong revenue growth trend for this particular business.

So, firstly, I wanted to check whether secondary growth trends are ballpark in line with the current primary growth trends, or this primary growth is also being helped by network addition that we are doing.

And secondly, it is more from a medium to long-term perspective, as in how do you see this brand evolving, right? So, what are the key channels of growth that we anticipate for this particular brand? Maybe from a product value proposition perspective, what are the kind of consumers or price points that we are targeting, which can help to sort of ramp up this brand? So, these were the two questions that I wanted to understand.

Ashish Dixit: Thanks, Devanshu. The first part of the question on how organic is this growth, I think, I don't know if we have mentioned before, but Reebok has the highest like-to-like growth in the network, close to mid-teen-double-digit for the last few quarters. And that tells you the organic strength and momentum that the business has. Even secondary in department stores and other channels is in high-teen-double-digit. So, very strong secondary performance is actually feeling organic growth across the channels.

The business continues to, as we had mentioned, the entire emerging portfolio itself is growing at 20%. And we expect Reebok to lead that portfolio with slightly higher growth rate. That is the trend we are watching for the last three, four quarters. And we think on an annual basis also, that is the kind of growth that we can deliver.

In terms of channel, it is a very strong brand, which is hugely underpenetrated. So, I would say, the opportunity exists across all the channels. We are rebuilding retail. You know, for a brand of this size in nature, our other premium brands have between 500 to 700 stores. Reebok is still in 200-odd stores at this point of time. So, there is a long runway on retail.

Wholesale business also, as we are building channel distribution, is growing very, very rapidly. We have mentioned in past, we also started to now take Reebok to smaller towns with a slightly differentiated product price proposition. Exactly what we have done with the rest of other brands.

So, we started opening unique retail concepts for smaller towns, and we are developing that over a period of time that would allow Reebok to travel much deeper in this country versus where the typical sportswear brands have been in the past.

So, multiple growth opportunities, e-commerce, again, is a business that we have been very disciplined in the way we are building that channel. It is again a large part of our portfolio. So, it is a brand which has a huge potential, but currently the footprint across all channels has been very small. That is why it has allowed us to grow this business from Rs. 250 crores to Rs. 500 crores, and we still feel confident over longer term, closer to 20% growth rate is what is possible for this business.

Devanshu Bansal: Sir, this is very helpful. A sub part to it, I have also wanted to understand, as in from a category perspective within Reebok, are we also sort of focusing on women or maybe from apparel perspective, which can be a key differentiated offering? So, if you could throw some light there also, women and apparel within Reebok.

Ashish Dixit: So, yes, both are growth drivers and apparel, because we have intrinsic deep capability. When we acquired the business, it was less than about a fourth, a little more than a fourth of the business. As we progressed, we have brought it to almost a third of a business. So, 32%, 33% kind of business apparel from 26%, 27% when we acquired the business. So, that itself is growing quite strongly.

Women's wear is still small. I think that opportunity is a much larger opportunity. We are working on products. There are specific collections that we are launching focused on it. But again, it is new to the Reebok in its current form and currently very small. But that is another large growth driver that is available for us.

Devanshu Bansal: I just wanted to double check, you said current scale is Rs. 250 crore. Is that what you said? It was 250 stores to 500 stores.

Ashish Dixit: No, no. I was talking about when we acquired this business 2.5 years back, it was Rs. 250 crores. We more than doubled in less than three years. And I think the current trajectory gives us confidence that we can further double it in another 3, 3.5 years.

Moderator: The next question comes from the line of Rajiv Bharati with Nuvama Wealth Management. Please go ahead.

Rajiv Bharati: I will just try. So, on the emerging business side, can you give what is the classification in terms of channel mix there? Because we don't have a history of how it used to be earlier.

Ashish Dixit: So, I don't think it is dramatically different, except that the share of retail, I think our lifestyle overall portfolio is about 65%. In emerging business, it is a little lower as far as the retail is concerned. Wholesale and e-commerce are a little bit higher, primarily because of Innerwear, which is a large wholesale business, and Reebok, which is a meaningfully large e-commerce business.

So, I think the only difference versus the overall profile, it is a slightly smaller retail compared to the overall size of the business, slightly larger wholesale and e-commerce.

Moderator: The next question comes from the line of Bharat with MC Research. Please go ahead.

Bharat: Sir, I just missed two data points. At the gross level, what is the store addition that we plan and what is the consequent figure for the net store addition?

Ashish Dixit: Can you repeat the question? You said network addition at gross and net level. Is that what you are saying?

Bharat: Sir, I was saying that on the gross and net store addition every year that you plan, what would be the rough figures that we should work with?

Ashish Dixit: So, I had mentioned for this year, we will have more than 300 stores as far as the gross is concerned and between 150 to 200 stores as far as the net is concerned.

Bharat: And sir, you talked about that we are specifically targeting for the small towns. So, what would that be? What would that proportion be in the overall network currently and what is your strategy going in the medium to long-term of that?

Ashish Dixit: So, our overall retail revenue, it is about one-sixth or so in small towns. So, it is still small, although the network is about 500 odd stores, but the overall revenue is about 15%-16% of retail. That portion is growing faster and the opportunity is also larger. Over the next three-four years, I think it will be more than 20% of our portfolio.

Bharat: Sir, you said 15% to 16% of revenues, but what was the store count? What would be that? I missed it.

Ashish Dixit: About 500 stores.

Bharat: 500 stores. Okay. And over the next three to five years, we will have approximately 20% of revenues.

Ashish Dixit: Yes, 20% in terms of revenue.

Moderator: The next question comes from the line of Rajiv Bharati with Nuvama Wealth Management. Please go ahead.

Rajiv Bharati: Maybe I will take it offline. Sorry.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. On behalf of the Management, we thank all participants for joining us. In case of any further queries, you may get in touch with Mr. Amit Dwivedi. Thank you for your participation and you may now disconnect your lines.