ADITYA BIRLA
FASHION & RETAIL

June 3, 2024

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Symbol: **ABFRL**

Sub.: Transcript of Q4 and FY 24 Earnings Call of the Company

Ref.:
1. **Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;**
2. **Our intimation dated May 9, 2024**

Dear Sir/ Madam,

Pursuant to the above referred, the transcript of the Q4 and FY 24 Earnings Call held on May 29, 2024 is annexed herewith.

The above details along with the audio recordings of the Earnings Call are also available on the website of the Company i.e. www.abfrl.com.

Thanking you,

Sincerely,
For **Aditya Birla Fashion and Retail Limited**
ANIL KUMAR MALIK
Digitally signed by ANIL KUMAR MALIK
Date: 2024.06.03 15:11:51 +05'30'

Anil Malik
President & Company Secretary

Encl: a/a

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"Aditya Birla Fashion and Retail Limited
Q4 & Full Year FY '24 Earnings Conference Call"
May 29, 2024

MANAGEMENT: **MR. ASHISH DIKSHIT – MANAGING DIRECTOR – ADITYA BIRLA FASHION AND RETAIL LIMITED**
MR. JAGDISH BAJAJ – CHIEF FINANCIAL OFFICER – ADITYA BIRLA FASHION AND RETAIL LIMITED
MR. VISHAK KUMAR – DIRECTOR AND CHIEF EXECUTIVE OFFICER – LIFESTYLE BUSINESS
MRS. SANGEETA TANWANI – DIRECTOR AND CHIEF EXECUTIVE OFFICER – PANTALOONS

Moderator: Ladies and gentlemen, good day and welcome to Fourth Quarter and Full Year Earnings Conference Call of Aditya Birla Fashion and Retail Limited. The call will begin with a brief discussion by the company's management on the Q4 FY '24 and full year FY '24 performance followed by a question-and-answer session. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today Mr. Ashish Dikshit, Managing Director; Mr. Jagdish Bajaj, CFO; Mr. Vishak Kumar, Director and CEO, Lifestyle Business; Mrs. Sangeeta Tanwani, Director and CEO, Pantaloons. 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 risk that the company faces. Please restrict your questions to the quarter and full yearly performance and to strategic questions only. Housekeeping questions can be dealt separately with the IR team.

With this, I hand the conference over to Mr. Jagdish Bajaj. Thank you, and over to you, sir.

Jagdish Bajaj: Thank you. Good evening, and welcome to the Q4 and full year FY '24 Earnings Call of our company. Let's just start with an overview of the operating environment.

The market conditions remained largely unchanged from previous quarters with continued sluggishness in discretionary spending. The months of January and February were particularly affected primarily due to a reduction in the number of weddings and a delay in the onset of winter. These factors contributed to a notable decline in consumer spending during this period.

Throughout these challenging times, where sales remained sluggish, we remained focused on prioritizing the right channels and structurally look at controlling costs by taking necessary actions to ensure the long-term financial health of the business and the strength of our distribution network.

Over the last few quarters, we have been pulling multiple strategic levers to optimize efficiency and reduce cost without compromising the quality of our operations. Our commitment to delivering exceptional products and experiences to our customers remain unwavering, and we shall continue to prioritize innovation and customer satisfaction as key drivers of our success.

New businesses that is Ethnic, TMRW and Reebok drove a large part of our growth this year, pretty much in line with how we had seen the market evolving that switch, we had laid down our long-term portfolio strategy. The changing dynamics within varied categories, price points and occasions is now addressed well through a comprehensive and diverse portfolio that we have built over the last few years.

This fiscal, we announced our ethnic portfolio by acquiring TCNS to complete the gap in premium ethnic space that the portfolio had. Additionally, we run our TMRW business with a strong portfolio of digital first brands. These were key additions to make our portfolio more comprehensive in line with the long-term strategy of the company.

As you're already aware, that on April 19, 2024, the Board of ABFRL has approved the proposal of vertical demerger of Madura Fashion and Lifestyle business from ABFRL into company named Aditya Birla Lifestyle Brands Limited, which will be listed separately post the demerger.

Pursuant to that, we have also reclassified our segmental reporting this quarter, and we'll continue to share the financials in a similar way till demerger becomes effective. The two proposed entities now are Aditya Birla Lifestyle Brands Limited consisting of Lifestyle brands, Youth Western Wear, Innerwear and Sportswear, while Aditya Birla Fashion and Retail Limited consists of Masstige and Value retail, Ethnic, Super Premium and Digital First Brands.

This strategic demerger of ABFRL is paving the way for the creation of two separate growth engines, each with a clear capital allocation strategy and unique path for value creation. Both entities will focus on a specific growth areas aligned with their individual business models with a clear focus on maximizing stakeholder returns. Post demerger, ABFRL will raise fresh capital of INR2,500 crores to strengthen its balance sheet and support the growth needs of its constituent businesses.

Now I will talk about financial performance of our company for this quarter. The company delivered revenue of INR3,407 crores, a growth of 18% over same quarter last year, primarily driven by new lines of businesses. Excluding TCNS, growth was around 12%. Our standalone sales stood at INR2,852 crores, growing 8% over last year.

Both our Ethnic and D2C businesses, driven by a combination of organic growth and strategic acquisitions, more than doubled their revenue this quarter. The company achieved a consolidated EBITDA of INR377 crores with margin expansion of 300 basis points to reach 11.1% versus 8% last year, powered by profitability, enhancement measures by our large established Lifestyle and Pantaloons businesses, our standalone business EBITDA grew by 59% Y-o-Y.

Our total store network now stands at 4,664 stores, spanning 11.9 million square feet. This quarter, we have pruned our store network by closing stores mostly due to slow recovery in certain markets and changing retail landscape. For full year FY '24, company posted revenue of INR13,996 crores, reflecting growth of 13% over the same period last year. Standalone sales grew 5% over last year despite challenging market environment throughout the year.

As already mentioned, new businesses remain key drivers of our growth. Specifically, the contribution to overall sales from businesses other than Lifestyle and Pantaloons increased from approximately 16% last year to around 25% this year. EBITDA for FY '24 was INR1,703 crores with margin of 12.2%. Here too, EBITDA for standalone business led by profitability enhancement initiatives grew 10% with margin expansion expanding by 60 basis points.

Our consolidated EBITDA grew by 5% Y-o-Y, factoring TCNS losses post acquisition and investment in ethnic businesses and TMRW. For TCNS, 6-month financials were consolidated where TCNS sales was INR490 crores, EBITDA around negative INR41 crores and a PAT at loss of INR115 crores.

The company's consolidated PAT stood at loss of INR736 crores for the year. It was impacted on account of high depreciation and increased interest costs due to higher borrowing versus last year. We reported a higher depreciation expense this fiscal year on account of TCNS consolidation, incremental amortization of new brands, which we have acquired, TCNS and TIGC and accelerated depreciation due to closure of stores.

Our net debt at consolidated level stood at INR2,862 crores, which is in line with guidance shared earlier.

I will now take you through the performance of individual businesses, starting with first ABLBL segment. This segment posted revenue of INR7,794 crores with EBITDA of INR1,276 crores in FY '24. EBITDA margin expanded 270 basis points to reach 16.4% in FY '24.

The share of emerging businesses portfolio, which was 13% in FY '23, increased to 16% in FY '24.

For Lifestyle brand, over the past few years, our brands experienced strong growth, maintaining their market leadership position to brand, category and product extensions along with nurturing new channels of growth.

As we have been guiding for the last few quarters, in a challenging demand environment, we prioritized our focus on growing profitably and hence through slew of measures such as product premiumization, markdown management and tapering down low profitability channels, lifestyle brands have been consistently working towards enhancing profitability. Focused intervention around other operating cost item is also structurally enabling the brands to move towards a more profitable model in the long run.

Revenue for the quarter was INR1,564 crores, 2% higher than last year. EBITDA stood at INR305 crores, growing 36% versus last year's led by gross margin improvement. EBITDA margin was 19.5% versus last year.

For FY '24, sales remained flat at INR6,560 crores, though it is important to note that this was cycling a large growth of 46% Y-o-Y growth last year. Despite this, led by all the profitability measures as explained before, Lifestyle brands posted highest ever EBITDA at INR1,284 crores, growing 17% Y-o-Y. Margin expanded by 300 basis points to reach 19.6% this fiscal.

Now about Youth Western Wear, which consists of American Eagle and Forever 21. American Eagle experienced another year of impressive performance as it posted its highest ever yearly sales and EBITDA. Brand in FY '24 achieved 36% revenue growth compared to last year. American Eagle expanded its network to 65 stores and 120-plus departmental stores. Forever 21 continues to face headwinds in a challenging competitive environment but kept a razor sharp focus on growing through a profitable mode.

Now about Reebok. The first full year of operations for Reebok with us has been very encouraging. The brand is on a path to double its revenue in the next 3, 4 years, led by rapid expansion of distribution across channels. Reebok currently is now available at 160-plus stores and 900-plus points of sales across departmental stores and multi-brand outlets. Reebok also significantly scaled up its e-com business, driven by deeper partnerships with all major e-com players.

Let me now speak about innerwear business. The strength in this category has sustained as the athleisure part of the market is still declining. The overall business remained flat this quarter, while the innerwear category posted a 12% growth over last year. The brand is consistently driving trade outlet additions by adding 3,000 trade outlets in the last 12 months with a total network of 35,000 trade outlets.

Now the remaining ABFRL segment. To start with, this segment posted revenue of INR6,518 crores with EBITDA of INR460 crores in fiscal year FY '24. Margin for the segment stood at 7.1%, considering the inclusion of TCNS and investment in new businesses.

Now Pantaloons business. Pantaloons business continued to make concerted efforts towards addressing market challenges and strengthening its business model for the future. As the year progressed, series of interventions around improving consumer proposition, enhancing product value equation and driving efficiencies in back-end operations led to improvement in sales and margins. Business intends to keep making progress on this path going forward as well.

Pantaloons recorded quarterly sales of INR895 crores, a growth of 10%. L2L for the quarter stood at 1%. EBITDA margin for the business grew by 270 basis points to reach 10.4%. For FY '24, revenue stood at INR4,328 crores, a growth of 5% Y-o-Y.

With the changing market landscape over the last few years, the business decided to rationalize its store network to improve the health of its distribution. This fiscal, private label mix improved by 140 basis points led by significant improvement in design aesthetics and addition to labels and categories.

Ethnic portfolio consists of designer wear brands and premium ethnic wear brands. This portfolio now has an annual revenue run rate of INR2,000 crores plus and continue to grow rapidly, led by network expansion, same store sales growth and category extensions. This quarter, our ethnic portfolio achieved revenue of INR474 crores as the portfolio, excluding TCNS posted a Y-o-Y growth of 51%. With TCNS portfolio revenue more than doubled.

In designer led brands, Sabyasachi grew 56% Y-o-Y in Q4, led by strong growth in jewellery segment. The brand recorded second consecutive quarter of INR150 crores plus sales. Shantanu and Nikhil posted 6% growth Y-o-Y this quarter. As a spread level, S&N grew 25% over last year. The brand continued to add its stores as its total network expanded to 21 stores.

House of Masaba recorded 86% revenue growth over last year in Q4, as the beauty business continued to grow from strength to strength. In Premium segment to start with the men's premium Ethnic Wear brand Tasva doubled its revenue over last year. What has been encouraging is that the amount of love the brand has gained in the last 2 years, mainly driven by enhanced product proposition and superior retail experience.

Jaypore grew 18% Y-o-Y this quarter as the brand expanded its network to 25 stores. TCNS revenue in Q4 stood at 79% of last year due to rationalization of its distribution with a clear focus on growing in profitable channels only. The business has continued to refine its product offering based on consumer insights and feedback. SS24 has begun on a strong mark and we are observing consistent gains across various channels.

Now the Super Premium portfolio consisting of the Collective and Mono brands delivered a solid performance in Q4 with Y-o-Y revenue growth of 16%. E-com channel for the business surpassed INR100 crores this fiscal year, continuing its strong organic growth. The total network, including Mono brands spans 39 stores for this business. For digital native brands housed under TMRW, revenue grew to 4x of last year this quarter with addition of TIGC. Business has continued to build on tech and data science capabilities and build an even more agile supply chain to create a credible moat for the portfolio.

To conclude, FY '24 presented challenges with overall consumption slowdown and factors affecting discretionary consumer spending. Hence, operating with agility, we took necessary and stringent actions throughout the year to align our operations in line with the long-term strategy.

The present apparel market remains one of the more significant segments in the discretionary consumer space with our already robust portfolio of brands spanning various categories, segments and channels. We are confident about our ability to propel both the businesses, ABFRL and ABLBL into substantial scale and size. The vast headroom for growth in the apparel space further strengthens our conviction. Our endeavours are towards ensuring that we play a meaningful role within this large space.

Thank you, and we are now open to questions.

Moderator: Thank you very much Mr. Bajaj. We will now begin the question-and-answer session. The first question is from the line of Garima from Kotak Securities.

Garima: First question is on Pantaloons. Now you seem to have taken up a network recalibration in this format in FY '24. Is this calibration done? And what is the store addition expectation going forward?

Sangeeta Tanwani: This is Sangeeta. So as Jagdish mentioned in his speech, I think the network of stores that we revisited, these are largely stores. If you recall, we told you in our previous calls that Pantaloons has been on a journey of premiumization. It's a conscious call we took about 4, 5 years back.

And as is the case every year, we review stores that are either not profitable or not doing well or there is a change in terms of the market conditions. I think this year, we've taken a very bold step and a conscious step to take a call on certain stores, which don't fit our proposition. And these stores that we have closed are across the network. It's a onetime action that we have taken. And we stay very confident of our strategy in terms of our growth for future.

And therefore, as we have mentioned before, we will continue to open stores in the future. But those stores, which are of the right size and which befit the proposition and the strategy of Pantaloons. So we will open again about 25, 30 stores this year as we have committed in the past.

Garima: So what was the gross store addition in FY '24, if you could help me with that number?

Sangeeta Tanwani: So we opened about 29 stores during the course of the year. And overall, we shut about 43 stores during the year.

Garima: Understood. That's helpful. Second question is on the value format, which is StyleUp. Any numbers you could share with us as to what is the revenue this format had in FY '24? And again, any growth plans here? And what is the initial feedback that you have for this format?

Sangeeta Tanwani: Yes, sure. So we've been working on this format for the last couple of years. We've been in the market. This year was the first full year of this format. We have about somewhere between 25, 28 stores as we close the year. These stores have been opened across 8 to 10 cities of the country. We feel confident today as we exited the financial year that we have a model which is economically viable. And this is a space that we think we will certainly invest in, in the future and continue to accelerate our growth in this segment.

Ashish Dikshit: Just to add on here, we feel now more confident having got, as Sangeeta mentioned, about 25-plus stores in limited geographies. You will see a more accelerated expansion in this format as we are beginning to get more and more comfortable with the format and its viability. The second half of this year, we'll see more accelerated expansion and perhaps an even faster one next year.

Garima: Got it. And just for understanding, this will be a part of the demerged ABFRL?

Ashish Dikshit: Yes, it will be part of the ABFRL, along with Pantaloons.

Garima: The next question that I had was really on Tasva. So of course, heartening to know that it has crossed INR100 crores in sales. What is the sort of growth trajectory here that you are looking for, I believe earlier there was the expansion plan call for very, very large store addition pipelines. Does that pipeline still exist?

Ashish Dikshit: Yes, certainly, we are very. As you know, this is the first full year of the network that we have had. It was INR100 crores with this. In the immediate short term, we look to double it in terms of revenue.

The pipeline of stores is also aligned with that. It's a long-term play in the men's Ethnic Wear segment. We feel the brand has got strong, good initial footing, the business model, the store, the consumer proposition, the product value all seems to be coming together. And therefore, I think the pipeline will obviously continue to grow. We have about 60-odd stores as we speak today, and we'll add about 30-plus stores this year and will expand further similarly.

Garima: Understood. Last question really is on timelines of full consolidation for TCNS. Where are we? And hence, post that, what all is pending for the demerger really to happen?

Jagdish Bajaj: So Garima, we already started consolidating the results with us because it is our subsidiary. As far as merger is concerned, our merger, you know the court conveying AGM will be held on 5th of June. And another 3 months' time, we will be able to merge TCNS with us. On demerger, it may be, as you know, we are progressing as per our timeline. We plan to complete this exercise by end of fiscal -- end of Q3 or in last quarter of FY '25.

Garima: Understood. And Jagdish, since we have you here, appreciate the financials, EBITDA, the revenue and EBITDA breakup that you shared for ABLBL and ABFRL. Any possibility of giving us some indication of pro forma profit of these verticals also for FY '24?

Jagdish Bajaj: You mean, should I drag it to PAT?

Garima: Yes.

Jagdish Bajaj: I don't have readily available.

Moderator: Next question is from the line of Nihal Jham from Ambit Capital.

Nihal Jham: My first question was for this quarter, you mentioned about cost reduction initiatives, both across Madura as well as for Pantaloons. If you give us detail what these are? Is it mainly, say, moderation in sales and marketing spend given the muted demand outlook or are there other aspects also?

Ashish Dikshit: No. I think material part, and it's not really only specific to this quarter. And this is more a trend as we saw the demand side of the business coming down was on store expenses. You saw the rationalization network, so that reduces the fixed cost of less profitable stores or unprofitable stores.

The second part really is discounting as we saw markets where laxity to perhaps discounting would have been lower and also in line with the overall strategy that our premium brands, either Lifestyle brands or the journey of Pantaloons in premiumization. So therefore, there is gain on account of lower discounting.

The third part really is choosing the more profitable channel and focusing our energies on that, which means giving up a certain part of growth, which is a less profitable or less remunerative growth. So letting go of some of the volume and value in those channels. So these are the more important parts of choices that we made.

Nihal Jham: Another related question was, in the presentation, you mentioned about announcement of the operating model for Pantaloons. Anything specific about what that is supposed to be?

Ashish Dikshit: I think Sangeeta has talked about in first response. One part is really about what we are doing, which is premiumizing the proposition, making the stores look better, increase the level of private label share. But there are several other operational measures, which is the entire planning process, the markdown management, improved gross margin. So a series of steps, which are across the operations of the company right from design, all the way to consumer end, including the rationalization of the network. So it's a very comprehensive surface side.

Nihal Jham: Just 1 final question, I do understand in the middle of the demerger between the 2 businesses with our debt currently stands at around INR2,800 crores. Is there a possibility also giving us sense of what that number would be?

Moderator: Nihal, sorry to interrupt you. Can you speak a little louder, please?

Nihal Jham: Yes, I was just asking that I do understand that we are targeting to demerge by the end of Q3 or Q4. But is there a possibility to say, give a sense of what the blended debt could be next year. We are currently at, say, INR2,850 crores?

Ashish Dikshit: So I think, Nihal, as you know, the Lifestyle brands opening debt number for the first April is about INR900-odd crores. We expect that to come down during the course of this year and with the profitability -- shape of the profitability of that business, that is pretty much under -- pretty much under the sort of manageable levels. As far as the ABFRL, which is the demerged entity is concerned, we have mentioned that we'll start with a debt of about INR1,951 crores, and we'll raise capital, and therefore, we expect to be net positive at the end of this year or thereabouts, depending on how the year goes. But that's really the intention at this point of time, yes.

Nihal Jham: And final thing, is any growth aspects on either of these businesses separately that you are targeting?

Moderator: Sorry, Nihal, what are you saying?

Ashish Dikshit: Nihal, you'll have to speak louder, please.

Nihal Jham: Very, very sorry about that. I was just asking, is there any growth targets for the two businesses also that you want to separately lay out?

Ashish Dikshit: No, I think I don't want to comment on 1 quarter, 1 year growth. You know the growth trajectories of these businesses. Lifestyle, the brand company, not just has the four mega Lifestyle brands, it also has growth engines in Reebok, the Innerwear as well as American Eagle, Forever 21 segment.

The demerged entity has multiple growth levers. We just talked about Pantaloons now getting its act together and beginning to grow back again with the renewed proposition. StyleUp is something that we are now feeling more about confident about, so that will get acceleration. Most of our ethnic subsidiaries, I think the hard work has happened in terms of growing them from very small subscale to coming to a meaningful scale, and you'll see a very rapid acceleration on that.

TMRW, if again a new business where many of the acquired brands are in early stage. So you'll see very rapid growth as far as that part of the business is concerned. So really speaking, both the platforms have multiple growth drivers, and we feel very confident about medium to long-term growth stories in this.

Moderator: The next question is from the line of Tejash Shah from Avendus Spark Institutional Equities.

Tejash Shah: First, on Pantaloons, can you elaborate on strategic reasons on why we have chosen to shut down such a large number of stores now? Is it more to respond to economic scenario that we have or it's more of a structural call that we are taking here?

The second, any common thread among the stores shutdown where there was any regional concentration or aging concentration that we have noticed. And third, any learning that from these shutdowns that we will kind of carry forward in store expansion on Pantaloons, as Ashish mentioned, that Pantaloons getting its act together. So it will be different from what we have done in the last 3 years.

Ashish Dikshit: So I think it's -- as Sangeeta has explained, we have been on a journey on Pantaloons in terms of positioning, premiumization, refreshing stores, improving retail experience, retail identity, new category launch, design aesthetics, series of measures to make it and improve the overall proposition, make it more distinctive a large number of value players that flood the market.

In line with that strategy, we started to look at our network, we found that strategically, there's dissonance versus some of the stores, either in terms of size or location or some of the markets. And that's the onetime correction that we took, which is aligning our distribution strategy with the brand proposition. And therefore, we will continue to operate with -- the shift in distribution would be perhaps our focus would be on larger towns. Sizes of our stores are more standardized. We had opened a large number of small stores and smaller towns.

Both those, we will shun at this point of time because our new strategy requires a store to be a certain size and a certain consumption gravity and therefore, it will be more focused towards larger towns and definitely not addressing the lower end of the market for which the StyleUp as a separate vehicle has got its own momentum.

Tejash Shah: Very clear. One associated question usually in the phase of recalibration, we have seen in some other retailers that we have a pressure to clear the inventory and hence, there's some margin pressure which comes along but we managed it very well in this quarter in Pantaloons margins. So is this pressure done? Or should we expect some pressure on margins in coming quarters?

Ashish Dikshit: To some extent, Tejash, the shift in strategy has its own sort of cost and time, which you have to go through and which is what Pantaloons has been through last year. We did -- some of our explanation of lower margin last year was the fact that we had to clear some of the older inventory, which built up in our earlier plan of expansion.

All that actually put behind. I think more fundamentally, also Pantaloons business has far more refined planning process now. And as it's coming more and more in line with its proposition, we are much better placed than we were 1.5 years back.

Tejash Shah: Perfect. And last one on Tasva, was there store shutdown in Tasva, A. And B, how should we think about expansion from here on? And how many focus stores we have today or are we planning to go on that route for Tasva?

Ashish Dikshit: So we -- when we expanded Tasva in the first year, we realized that there are markets because we were looking at an all-India launch. And therefore, there were some markets where we perhaps gotten a bit too early.

While the brand performance is exceptionally strong in big cities and bigger markets, it being relatively soft when we enter the small markets too early. And therefore, a part of that was correcting so that we didn't want to carry some of the burden of smaller markets. And therefore, some of the store expansion has happened either in outskirts or smaller markets that we put at center too early.

At this stage, we would continue to focus on our own stores because we want to build a very strong operating model that's, you know better than others that we run a very large franchise network. We have more than 600, 700 partners, more than 2,500 stores franchisees. We don't want to pass untested, unproven models with risk to our partners too early. And therefore, every new business that we have approached for 20, 25 years, and that's what has kept our partners with us over a period of time. We don't want to hurry. There are a few franchise partners that have come in, as part of Tasva towards the end of this year. We'll continue to grow that, but that's really not our focus right now.

Moderator: Next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Congratulations on the good margin execution in the quarter. First set of question is on Lifestyle Brands. Just wanted to check if you could call out the LTL growth for retail segment in Q4 and for full year FY '24?

Vishak Kumar: Devanshu, hi this is Vishak here, we were about flat, if you were to look at LTL. But what you should look at it is in light of significant discount reductions into H2, especially in Q4, where we were able to bring down discounts in fact, in retail by almost about 5 percentage points. Said earlier was to be able to drive profitable growth, full price growth, et cetera. And we also realized that we were quite all right on inventory, and we didn't see much of elasticity in discounting. So we kept that tight, and that was all of the cost reduction efforts also that we spoke about earlier. So that was broadly the story.

Devanshu Bansal: All right. And Vishak, this in elasticity is expected to continue or with more improved footfalls, we can sort of opt for more discounting, so this year views on that?

Vishak Kumar: I don't think you will have a permanent answer on this, yes. This will keep going through context, okay. And you will have to read the market closely to see what needs to be done. It will depend on inventory situation. It will also depend on the kind of merchandise that you've got seasonal merchandise, et cetera.

So we'll have to be close to market to be able to evaluate what kind of discounts. But at a broader trend, yes, more and more analytics-driven discounting, sharper discounting, et cetera, does help. Also more profitable channels, less discounting channels in your sales mix also helps. But can I say that this a forever trend, no. We'll have to watch the pitch and respond accordingly.

Devanshu Bansal: And Vishak, your views on wholesale because there have been indications of moving away from less profitable channel. And this quarter also, there was some degrowth in that channel. So how should we look at the trajectory for that particular channel?

Vishak Kumar: Wholesale is a very important part of our overall mix. Department stores, multi-brand trade, extremely important part of. And sometimes in wholesale, there is also the impact of primary versus secondary. We need to consider that.

Also need to recognize that Centro is going through a rebuilding phase, and it will take them some time before they can scale up again. It was another of our large networks. So I think all of this together, but directionally, a very important part of our overall mix. We've done a strong business with department stores and with multi-brand trade, and that will continue.

Ashish Dikshit: And it's a profitable channel. This is not the channel that I was mentioning when we're talking about less profit.

Devanshu Bansal: Jagdish. Last question from my end. I noticed that TCNS' working capital is closer to INR300 crores. And in the PPT, we have mentioned that overall demerged entity, it's about INR137 crores of working capital. So just wonder, which is the working capital negative for rest of the business like Pantaloons, other ethnic businesses, super premium D2C. So what's your view on that?

Jagdish Bajaj: No, I don't think it's negative. You're saying the full net working capital?

Devanshu Bansal: No, no. So for proposed demerged entity on page number 45 or 46.

Jagdish Bajaj: Understood, understood. So in demerge INR137 crores, you could say this is the only available to me. So generally when we calculate NWC, it is inventories, debtors and payables. So in the remaining company, my net working capital in Pantaloons is very low. But like TMRW also has debtors. So to that extent, I have a matching payables.

Devanshu Bansal: Okay. But still sir, this would include INR300 crores of TCNS' working capital as well, right?

Ashish Dikshit: So to that extent, my payables are more. See, as you know, we've done our business on net working capital cycle likely being a large part of our overall sort of KPI for the businesses, especially the established business. New businesses, we allow them to sort of express first, build the format before we start to look for efficiencies.

Our Pantaloons business runs at a very low, if not zero NWC. Even Madura is single digit to nearly double digits. And therefore, both the businesses have very efficient net working capital management.

Moderator: Next question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Firstly, just a clarification on Pantaloons. So we have seen a shrinkage in store footprint and LTL growth is around 1% for this quarter, but revenue growth is 10%. So this is not reconciling. Just wanted to get your comments is it including StyleUp? And if so, then StyleUp actually driving a large part of the growth this quarter?

Ashish Dikshit: No, no. StyleUp is too small to affect Pantaloons' numbers. See the store network reduction has happened during the course of the year. And also, there were -- this is with respect to last year. So while this quarter may have seen store rationalization, the previous 9 months, which is Q4 of last year to Q4 of this year, there has been store addition. And therefore, this is the annualization impact of some of the stores, which didn't exist at that point of time. So this is a combination of that. Both the numbers, standalone are correct, like-to-like of 1% and total growth of 10%.

Sameer Gupta: And I didn't catch the StyleUp revenue number for FY '24. I think some participant had asked that. Is it available?

Ashish Dikshit: No, we have not given separate numbers for StyleUp yet.

Sameer Gupta: Okay. No worries. Secondly, sir, on the capex part. So I noticed that there is a INR750 crores capex in FY '24 on a consolidated basis and INR550 crores even on a standalone basis.

Now considering that Pantaloons have not seen a large expansion in terms of stores and rest of the business in the standalone is relatively capex light. Just wondering or can you just provide a reconciliation of this capex number? And what is the guidance for the coming year for the whole entity, as in not considering the demerger is happening. As an overall entity, what would be the capex number likely?

Jagdish Bajaj: So capex number for FY '24 is right because we are building up a new factory in ABLBL, which is under PLI scheme and few expenditure. We have -- in some expenditure, we have done for our GL store, which is under work in progress. FY '25, my own estimate is that capex should be in a range of around INR600 crores to INR650 crores in both the entities put together.

Ashish Dikshit: So there's INR120-odd crores manufacturing capex, which is a onetime thing which happened last year.

Sameer Gupta: Okay. But INR600 crores to INR650 crores is still a sizable number. Do you expect this net debt number, INR2,800 crores that you have given, to remain steady? Or do you expect this to come down?

Ashish Dikshit: So we have said in our call earlier that it will come down primarily because there is a fundraise plan towards the end of this year. And therefore, the net debt of independent two entities for Lifestyle Brand entity, it would be closer to INR600 crores, INR700 crores. And for ABFRL post equity infusion, we should possibly be neutral or net debt positive.

Sameer Gupta: And if we exclude the fundraise plan, sir, it will remain steady is what you mean, right?

Ashish Dikshit: Yes, that's right.

Moderator: Next question is from the line of Gaurav Jogani from Axis Capital.

Gaurav Jogani: My first question is with regards to the focus now on both the profitability as well as maintaining the balance sheet now, we can very well see that the working capital in the standalone balance sheet has also come down sharply. So just want to know your view in terms of the prioritizing between profitability and growth, which one we'll be choosing between the two. And in that context, what would be the margin guidance going ahead, given that is the margin that we have done in this particular year across formats, would that -- could that be considered as the bottom and then margins could go from here on?

Ashish Dikshit: So I think while we talk about ships of choices between profitability and growth, I think overall level depending on the -- we have a wide portfolio of the business. A large part of that portfolio consists of brands which are premium and by definition, you need to stand out and therefore, the level of discounting will continue to remain lower than perhaps they have experienced in past.

If that means letting go of some of the growth, I think that's a choice. We'll continue to make at least for part there. And as Vishak said, these are not things that we decide for perpetuity. I think we'll have to respond to the market conditions, our own inventory levels. And therefore, there are multiple factors that go into it.

But clearly, profitability is an important part of our trajectory, especially for the businesses which are sort of in stable state or large mature businesses. For smaller businesses, sometimes the growth is critical to get them to a level where they get to a self-sustaining zone. And to that extent, we'll have to let go of profitability in that.

But having said that, I think over the last 3, 3.5, 4 years, we have been in a journey of transforming our company by expanding into segments with large addressable markets, categories where our early play was small, but we see large potential opportunity, both through organic new brand launches as well as series of inorganic acquisitions that we have done.

I think 2 points I would make. One, that now we have a portfolio which is well settled. The 2 companies which the series of corporate actions that we have already laid out will be well capitalized. Our portfolio, which doesn't need any significant new addition and therefore, focus will be on stabilization and growth of these.

I'd also say that for most new businesses, perhaps of all of them, we have bottomed out in terms of the losses that we have -- we are incurring. It doesn't mean we will not make losses in those business. But I think the peak losses impactfully all our businesses have -- are behind us with the exception here and there, quarter-wise, I think on an annual basis, we'll only see improved profitability and improvement in trajectory even for those businesses.

Gaurav Jogani: Thank you for the elaborate explanation on this. My next question is with regards to the Innerwear business. Given one, if you can highlight what could be the possible growth for the Innerwear segment as a whole for FY '24? And B, in terms of profitability, where are we at? Is it still EBITDA breakeven or we are making losses in this particular segment?

Ashish Dikshit: So this year, we have still not managed to break even at that level. There have been some quarters where we're positive, some quarters we're marginally negative. But this is a business which is unfazed, very strong headwinds, primarily in the athleisure part of the business..

The Innerwear segment continues to grow strong double digits, but the athleisure part is equally suffering on the other side and which makes the business a little bit more complex for the short term. I think here again, the balance is sort of coming back. Most of the decline that is happening in athleisure, hopefully will start reversing from here onwards. And Innerwear, which is anyway growing will continue to grow more rapidly.

Gaurav Jogani: For FY '24, what will be the possibility overall growth? Is it flattish on a Y-o-Y basis?

Ashish Dikshit: It's a business which should have grown in Innerwear and declined in athleisure.

Gaurav Jogani: Okay. And sir, the last question was with regards to the ROC for the Lifestyle business. I mean the ABLBL business that is. If you can guide what could be the now ROC for the business, excluding the goodwill numbers there?

Ashish Dikshit: I think I can give you a range right now, maybe a more considered response can be given later. We do believe this business over a long period of time has operated at ROC without goodwill, anything between 35%, 40% to 60%, depending on the year. And we expect that trajectory to remain at that level.

Moderator: Next question is from the line of Ankit Kedia from PhillipCapital.

Ankit Kedia: First question is regarding the discounting. What's changed in the market in this quarter that the discounting was lower? Last quarter, we had early EOSS as well in December. Is that the reason why? Or we are seeing online channel the discounting reduced with AJIO, Flipkart, others moving towards profitability and hence lower discounting?

Ashish Dikshit: No, I think, see, I have to first start by saying our discounting choices are solely us. So you can blame us or creditors for doing more or less of it. It's not affected by -- this is a decision not taken only by us.

As far as lower discounting is concerned, remember, this is in context of same quarter last year. So it's not an isolation. It's a relative number that we're talking about. And those are the choices that we have made at this point of time, as our inventory level was healthy, although market is still going through a tough situation, but we are better prepared for it, and therefore, we made those choices. As we go forward, we may have to reverse it at some point of time or change it for a short period, all that are tactical decisions that we take, but this is the current state of affairs.

Ankit Kedia: Sure. And sir, this year, are you looking at early EOSS in this season also? Or the inventory for the industry is healthy now and even going forward, for the season, the EOSS will be muted and discounting could be there?

Ashish Dikshit: I really can't comment on everybody else. But by and large since the overall conditions have been muted for much of last second half of last year. I would expect that there are a lot of players who have probably been sitting on higher inventory.

Now individual players take the decisions on discounting closer to it. So we'll get to closer to the middle of June on how people are responding to it. Very early to say. As far as we are concerned, we will obviously stay with the policy that we have and respond to market if there is a competitive action, which requires us to make.

Ankit Kedia: Sure. Sir my second question is regarding Peter England versus some of the premium formats. Are you seeing lower growth in Peter England given that the lowest strata is still struggling? Or you're seeing some growth revive in Peter England while at the same time, Louis Philippe of the world, the growth is tapering at -- are you seeing pressure build up there as well and the premium is struggling now?

Vishak Kumar: Those are some of the advantages we have in our portfolio. And Peter England has a tremendous role to play in that portfolio. It creates a branded experience at sharp price points, and that is hugely valued by consumers. It's also been our beachhead into a whole lot of new markets, small towns, et cetera.

We have a format called Peter England Red, which goes right up to Tier 4 towns. It also gives us penetration into a whole lot of markets even in big cities, which might not be able to take very expensive brands but can take on a value for money brand. It's a brand which is being very strongly built around international quality. This whole Gentleman's League cricket story was a huge success. It's continued to build strength to strength.

So I'm not -- it has its own role with -- it's got a very different role to play, vis-a-vis, the other premium brands in our portfolio.

Ankit Kedia: But in this quarter or in this year, given that there was slowdown in discretionary and the bottom strata was struggling, is it fair to assume Peter England was impacted more than some of the premium brands?

Vishak Kumar: Yes and no. In the sense that some of the initiatives towards discount reduction applied as much to Peter England, and it helped to strengthen further the profitability. To some extent, small towns are more affected, and Peter England has a larger bias towards smaller towns. So to that extent, what you're saying is right as well.

Ankit Kedia: Sure. My last question is regarding trade payables. Now there's INR4,000 crores of trade payables. While I understand at the portfolio level, you guys look at net working capital, but this is indirect debt, right? Industry works in 45 days to 55 days, and then there is bill discounting, which you guys do, given that there is the cash flow generation over the next 3 years in Lifestyle and even the Pantaloons business will be net debt positive next year after the fundraise. Do you think it's prudent to have gross margin expansion instead of 2% paying to gross margins when slowly, slowly reverse the trade payables, which we have built over the last 3 years?

Ashish Dikshit: No. Fundamentally, I think you should understand why we have this. As you know, retail industry, you have increasingly most of our business is retail. And in retail, you keep inventory. And depending on the productivity of the place, you could have a 90-day, 120-day inventory, or you could have 150- to 180-day inventory, depending on the state of evolution of that market.

And therefore, on an average a pure-play retailer who has end-to-end sort of ownership of merchandise needs to have an inventory of that level, increasingly more so if you are a retailer. On top of it, we are, for a part of our business are also manufacturer. We also want to control quality, which means a lot of raw material inventory we keep with ourselves.

If that's the state of the front end of the business, it is structurally therefore prudent for us to balance our front-end inventory and match it with our back-end payable. It is precisely for this reason that we have done this thing. We have done it over 6, 7 years. It's a consistent policy. It's something which has stood us over a long period of time. It's something that everybody understands, and its rationale is not really to take gross margin or leave gross margin, etcetera. It's really to balance the front-end inventory with the back-end payables. So that business is relatively lower net working capital and a growth doesn't require more capital.

Because remember, we are talking of a business where we still believe while this year, we have ended with close to INR14,000 crores, we still believe as a company, we are very early stage of exploiting the opportunity that this country offers to an apparel -- fashion apparel play.

Therefore, for a long-term large growth runway available to us is the most sustainable model that we've carefully built and practiced over 7, 8 years. It's not happened in one shot.

Moderator: Next question is from the line of Aditya Soman from CLSA India. The line for the participant dropped. We move to the next participant. Next question is from the line of Rajit Aggarwal from Atharva Investment Managers.

Rajit Aggarwal: I had a question regarding an announcement, which appeared in some of the news articles, that the group plans to invest INR5,000 crores on the jewellery business. So is that correct? And if that investment is going to come into ABFRL demerged entity? And so if you can throw more light as to the time span and the source of funding, etcetera.

Ashish Dikshit: No. If you read that news announcement, you would know it has nothing to do with ABFRL, any of the two entities that we're talking about. It's a separate group investment, which has nothing to do with the listed combined form ABFRL nor with any of the two entities which are proposed. It's outside this business.

Rajit Aggarwal: So it could be a competitor to Sabyasachi jewellery vertical?

Ashish Dikshit: That's for you to decide. This is a separate group business.

Rajit Aggarwal: Regarding the Digital First Brands, so what's the strategy going forward? Are they just digital first? Or are they Digital only brands? Are they going to be on the shelves of some of the stores? Or are they still continue -- will continue to be only digitally sold?

Ashish Dikshit: So I think as the name says, they're Digital First. It doesn't mean they're digital-only See, the reason to have this portfolio and curated separately is basically to build on 3 large trends that we are noticing.

One is a whole generation of new young consumers millennial walking into the consumption space. And their requirements, their pace, the habits, the channel choices are very, very different. Second, and partly arising from that is the fact that they're increasingly digitally native and therefore, their search, their engagement and their interactions with the brand is Digital First.

Having said that, the fulfilment of these brands, as you have seen over a period of time, will mix -- will move to a more mixed model, which is omnichannel. You shop somewhere, you search somewhere, deliver -- get it delivered somewhere else. So you go shop offline but search online. So these brands will have to play this. But the starting position is Digital First.

And their target customers are much younger than the target consumers of our brands. What is common is the fact that these are fundamentally fashion brands, exactly the kind that we have built over a period of time, and that will remain our focus.

Rajit Aggarwal: And if I may add a very quick question. Given that the demerged entities will have -- will still have businesses targeting different customer segments, would you rule out any further demerger going forward?

Ashish Dikshit: I think at this point of time, it may be too early even to respond to that. We just got into a shape where many of these businesses, whether it's Pantaloons and StyleUp, which is in our mind, very early stage of what is possible.

Ethnic businesses, which have just got together, TMRW which is in first year, I think our focus right now is to support these businesses to get to their steady state or next level of scale and size and more importantly, profitability that we want to get out of them. Therefore, there is no such plan at this point in time.

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