



May 26, 2022

**BSE Limited**  
Scrip code: **535755**

**National Stock Exchange of India Limited**  
Symbol: **ABFRL**

**Sub.: Transcript of Q4 FY 21-22 Earnings Call of Aditya Birla Fashion and Retail Limited ("the Company")**

**Ref.: 1. Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;**  
**2. ISIN: INE647O01011; and**  
**3. Our intimations dated May 18, 2022 and May 20, 2022**

Dear Sir/ Madam,

Pursuant to the above referred, the transcript of the Q4 FY 21-22 Earnings Call held on May 24, 2022 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](http://www.abfrl.com).

Thanking you,

Sincerely,  
For **Aditya Birla Fashion and Retail Limited**

**Geetika Anand**  
**Company Secretary & Compliance Officer**

*Encl: a/a*

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# “Aditya Birla Fashion & Retail Ltd. Q4 FY22 Earnings Conference Call”

**May 24, 2022**



**MANAGEMENT: MR. ASHISH DIXIT - MANAGING DIRECTOR, ADITYA BIRLA FASHION & RETAIL LTD.  
MR. JAGDISH BAJAJ – CHIEF FINANCIAL OFFICER, ADITYA BIRLA FASHION & RETAIL LTD.  
MR. VISHAK KUMAR – DIRECTOR AND CHIEF EXECUTIVE OFFICER, LIFESTYLE BUSINESS  
MS. SANGEETA PENDURKAR – DIRECTOR AND CHIEF EXECUTIVE OFFICER, PANTALOONS  
MR. RAHUL DESAI- HEAD (IR)  
MR. AMIT DWIVEDI- VP (STRATEGY & BUSINESS DEVELOPMENT)**



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May 24, 2022*

**Moderator:**

Ladies and gentlemen, good day and welcome to the Q4 and FY22 Earnings Conference Call of Aditya Birla Fashion & Retail Ltd.

The call will begin with a brief discussion by the Company's Management on the Q4 FY22 and full year FY22 performance followed by a question-and-answer session.

We have with us today Mr. Ashish Dikshit – Managing Director, Mr. Jagdish Bajaj – CFO, Mr. Vishak Kumar – Director and CEO, Lifestyle Business, Ms. Sangeeta Pendurkar – 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 the discussion on today's earnings call may include certain forward-looking statements and must be viewed therefore in conjunction with the risks that Company faces. Please restrict your questions to the quarter and yearly performance and to strategic questions only. Housekeeping questions can be dealt with 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 Earnings Call for our Company. The year gone by has been a roller-coaster in terms of COVID waves and lockdowns.

As you are aware, the first half and especially Q1 of FY22 was severely impacted by the Delta wave. The second half witnessed unprecedented growth as offline stores opened and had it not been for the Omicron wave in January and February, it would have been a record-breaking period.

Before I delve on the result, let me tell you about the announcement, which we have made today. We are very excited to inform you that the board in its meeting held today has approved raising of Rs. 2,195 crores of primary capital through a combination of equity and warrants on a preferential basis to GIC Singapore, a leading global investment firm. GIC will infuse Rs. 770 crores on closure of deal by H1 FY23 once all approvals are in place towards 1.02 crore equity shares at Rs. 288.75 per share and 25% upfront payment for 6.58 crore warrants to be converted into equity shares at Rs. 288.75 per share. The balance capital of Rs. 1,425 crores will be infused in one or more tranches within 18 months upon exercise of warrants. Post the entire investment, GIC will own 7.5% equity stake in our Company. Aditya Birla Group will hold 51.9% stake in the Company post the completion of this transaction. ABFRL plans to use this capital to accelerate its growth engine built around strength of its current businesses along with a rapidly evolving play in emerging high growth business models and fortify its position as one of the leading player in the industry. The fundraise is a testimony to GIC's faith in the strength of ABFRL's branded portfolio, its proven business model and its future growth potential.

Now, let me take you through the performance of Q4 and H2 of FY22:

Q4 has turned out a very good quarter for ABFRL despite the shock of Omicron wave, which disrupted business in January and February. Sales in Q4 is Rs. 2,283 crores, a growth of 25% over Q4 FY21. EBITDA for the quarter is Rs. 401 crores, a growth of 58% over Q4 FY21. The net profit after tax for Q4 is Rs. 32 crores compared to a loss of Rs. 196 crores last year. E-Commerce during the quarter has grown by 18% from Q4 FY21.

I will just like a minute to reiterate that ABFRL has had an excellent performance in Q4 on top of a very strong performance in Q3. Hence, let me narrate H2 performance as this will help you in understanding our results in a better perspective of how they would have been in a normalized scenario. Sales in H2 FY22 is Rs. 5,270 crores, a growth of 35% over H2 FY21. EBITDA for H2 is Rs. 1,010 crores, a growth of 50% over H2 FY21. The net profit after tax for H2 is Rs. 229 crores compared to a loss of Rs. 137 crores last year. E-Commerce has also grown in H2 FY22 by more than 21% over H2 FY21.

Now, let me take you through the full year performance. Sales for full year stood at Rs. 8,136 crores, an increase of 55% compared to FY21. EBITDA for FY22 has been Rs. 1,203 crores and has witnessed a growth of 91% compared to Rs. 628 crores in FY21. Net loss for the Company is Rs. 118 crores after taxes compared to loss of Rs. 730 crores last year. We have been able to maintain our net working capital at same level this year despite 55% higher sales. The net debt of the Company stands at Rs. 504 crores, down by 5% from last year. We have significantly ramped up our digital capability and our E-Commerce operations. The digital channel sales have grown by 52% over the past year. We have also enabled close to 50% stores with omnichannel functionality. The E-Com revenue for the full year is Rs. 1,000 crores approximately. We also continued to grow our physical network with the addition of 606 new stores. Along with that we also rationalized 10% of our network by cutting off unviable stores.

I will not take you through the performance of individual businesses starting with Lifestyle brand business. Lifestyle brands have turned out an exceptional performance in Q4 on the back of strong growth in its retail and trade segment. Our brands have continued on a journey of significant market share expansion. Sales in Q4 is Rs. 1,342 crores, a growth of 34% over Q4 FY21. EBITDA margin for quarter is Rs. 312 crores, a growth of 77% over Q4 FY21. The Lifestyle brands reported a stellar growth of 25% on last year sales in its own retail channel highlighting growth in its market share. This is testimony to the strength of our brands and their versatility to fulfil consumer requirements in all market conditions. Sales in the wholesale channel of MBO and departmental stores saw a growth of 71% compared to Q4 FY21 of last year.

Let me also highlighted strong performance of Lifestyle brands in the second half of the year. Sales in H2 is Rs. 2,931 crores, a growth of 44% over H2 FY21. EBITDA for the second half is Rs. 658 crores, a growth of over 79% of H2 FY21. E-Commerce has also grown in H2 by more than 21% over H2 FY21. For the lifestyle brands, the sales for full year now has been Rs. 4,522

crores, which is about 64% higher than last year sales. The EBITDA for the full year is Rs. 788 crores with a margin of 17.4% which is higher by 510 basis points for FY21 margins. E-Commerce sales continue to rise significantly for the division, 61% growth over last year and our brands are available on all leading E-Commerce platforms. Lifestyle brands have continued their expansion into both existing and newer Indian towns and cities exiting FY22 with 2,522 stores, which have given it unassailable lead over its peers in this market and is contributing to its market share expansion. Business significantly improved its working capital management and achieved revenues of Rs. 4,522 crores with an operating capital of Rs. 370 crores excluding goodwill and right of use assets. This reflects strong asset productivity and high return on capital for the business. the Pantaloon business despite a relatively higher impact of COVID 3 on its business owing to its higher share of business in malls, Pantaloons recorded revenue in Q4 of Rs. 675 crores, a growth of 13% over Q4 FY21. EBITDA for Q4 FY22 is Rs. 82 crores, a degrowth of 6% over Q4 FY21. E-Commerce in the quarter has grown by 81% over Q4 FY21. Pantaloon's second half result shows its potential performance in a normalized period. It has seen a growth in profitability despite being more affected due to Omicron. Sales in H2 is Rs. 1,741 crores, a growth of 24% over H2 FY21. EBITDA in H2 is Rs. 298 crores, a growth of 8% over H2 FY21. E-Commerce has also grown in H2 by more than 73% over H2 FY21. This profitability was achieved on the back of excellent inventory management and lower discounting leading to higher gross margins along with Company's focus to leverage its operating cost. For the full year, pantaloons reported an annual revenue of Rs. 2,626 crores, a growth of 41% from last year while the EBITDA stands at Rs. 368 crores witnessing a growth of 33% over FY21. The business focused on working capital management and improved NWC by Rs. 45 crores. It achieved its revenue of Rs. 2,626 crores with operating capital employed of just Rs. 325 crores excluding goodwill and write off these assets. Pantaloons also ramped up its store additions during the year with 49 new additions, 18 of which opened during the quarter. We plan to significantly accelerate retail expansion of Pantaloons network in the coming year.

Lastly, our other business segments, which include active athleisure inner wear, youth western fashion and super premium brands. Revenue from other business segments stands at Rs. 217 crores, marginally higher from Rs. 214 crores achieved in Q4 FY21. Active athleisure wear, we expanded our distribution network and now selling across 27,000 MBO outlets and on the path to build a strong retail network. Youth fashion and super premium brands continue to work on profitability and bring in more freshness to their merchandise. American Eagle grew 45% over Q4 FY21 and is gradually establishing itself as a premium denim wear brand for its consumers. Forever21 grew 13% over FY21. We are expected to continue to grow profitability in the coming years. The super-premium brands business segment, which includes the Collective and international brands continues to grow strongly and profitably.

Let me talk for ethnic business, ABFRL is now one of the strongest and most comprehensive portfolio brands across price points, consumer segments and occasions. ABFRL has made a constellation of partnerships with leading designers, Sabyasachi, Tarun Tahiliani, and Shantanu



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& Nikhil to add to its first investment in Jaypore. The revenue of the segment for Q4 is Rs. 101 crores and an EBIDTA of Rs. 5 crores, a margin of 5%. This is nascent business for us and FY23 will see ABFRL make investment to grow the business both offline and online. We expect this business to grow rapidly over the coming years in line with our aspirations. In FY23, in all these brands put together, we plan to add 70 stores including a store in New York for Sabyasachi. These forays will propel ABFRL to be leading player in the large ethnic wear market.

Now let me brief the progress on new partnership. House of Masaba, ABFRL has announced a partnership with House of Masaba and is picking up 52.4% in the Company. We signed a definitive agreement and plan to integrate into our fold shortly. Acquisition of Reebok, as informed, FY23, will see the addition of the world renowned sportswear brand Reebok in our portfolio with effect from October 1, 2022.

Way forward, building on the momentum at the end of FY22, we as the Management, are optimistic about FY23 and plan to focus on the following areas. Significant capital expenditure to fuel the growth across all the brands in the portfolio, significant increase in spend on marketing activities for infusing strength in each of our brand. Number 3, sharp focus and increased investment in areas such as IT and digital, strengthening our omnichannel and backend infrastructure and number 4, increasing focus on overall digital play through recently announced B2C entity wherein we would invest in building a portfolio of digital first brands through organic and inorganic route and accelerate on E-Commerce play. ABFRL has emerged much stronger out of the pandemic and is now operating on a much stronger foothold at the back of robust balance sheet, comprehensive brand portfolio and industry leading talent, which enables us to realize our long-term ambitions of playing a leadership position in the apparel sector in India. Thank you and we will now take your questions.

**Moderator:** Thank you. The first question is from the line of Tejas Shah from Spark capital. Please go ahead.

**Tejas Shah:** I have many questions. I will just try to club couple of them for efficiency. First question is regarding the fund raise. Last March, when we made this presentation for our FY26 vision, we had in fact shared a very detail capital deployment plan also, which was not around raising any further capital and when I look back FY22, it actually went very well for us in terms of recovery, in terms of numbers, so then what triggered this sudden such a big fund raise? That's the first question.

**Ashish Dikshit:** Our long-term plan was made in January of last year and was presented to the investors around early March. What happened in April, May, June, all of you remember, all of us remember has been one of the most devastating period for life in general, but I think consumer retail, specifically fashion retail and all of first half of the year was significantly different from what we had imagined. We had come out of the first wave in January and February when this plan was made and to that extent, your contention that nothing has happened in FY22 is actually very far from our own assumptions of how FY22 will turn out versus how it did. Over this period, we

also realized that a long-term competitive position would require us to invest deeper because many of our growth initiatives, which we had started on, starting from Pantaloons where we had laid out a plan to expand 70 to 80 stores a year, but ended up with close to 40 to 45 stores. Innerwear where expansion was held back, ethnic wear many of the businesses that we acquired were relatively under invested from expansion in growth point of view. So, if I were to summarize this, 2 things happened. One is FY22, unlike what you are saying, was dramatically different from what we had imagined FY22. FY22 in our plan at that point of time was better than H2 that we have delivered this year. We had a similar view of H1 last year and therefore, the full year would have been much-much better. Number 2, because of what was happening around and the conditions, our expansion plans were held back quite significantly. At the same time, we continued to believe both in the long-term growth potential of the market and intrinsic strength of our brands and we feel now the time is to accelerate to catch up on what we have not done over the last 12 to 18 months and I would go back almost till the beginning of the COVID period from 18 to 24 months where some of our growth initiatives have held back. We have made investments in acquiring platforms, but commensurate investments in actually scaling up those platforms have been lesser than what we would have ideally liked and therefore, there is an accelerated need to grow these platforms. These are very significant opportunities. You have seen how Pantaloons business has turned around in the last 3 to 4 years and it's a strong fundamental economic model. Ethnic wear business that we have acquired now, there is no doubt that the strength of these brands will allow us to grow much-much faster and 2 to 2.5 years back, this business didn't exist. Now we are clocking, as Jagdish mentioned, about Rs. 400 to Rs 450 crores a year and we have laid out a plan for Rs. 1,500 to Rs. 2,000 crores of that. To realize all that would require long-term capital and a balance sheet, which is strong and we don't have to keep looking back. It is the plan that we have been working on from the time the COVID phase 2 happened and how do we strengthen significantly that for the next 2 to 3 years, we don't have to worry about capital to take our organic growth expansion plans and that's really how we see it.

**Tejas Shah:**

How should we think about now FY26 vision, does it mean that we will participate in many more categories because capital is also now available or does it mean that we will go more aggressive in the existing categories that we have identified already?

**Ashish Dikshit:**

Answer to that is latter what you've said, which is we have, as I mentioned, a very-very strong platform. Pantaloons story is still to play out fully. Innerwear still long run away, ethnic wear we just acquired, Reebok is a large opportunity that we will play out. So, our existing strength of platforms, brands and portfolio has a very large capacity and capability to actually grow and that's where most of our investments go. I don't think that you should look at this investment as a one-time infusion to solve current problems. This is more a long-term strengthening of balance sheet, which will allow us to fulfil exactly the strategy that we had laid out earlier.



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**Tejas Shah:** Whom do we consider our competition now because since pandemic, we are seeing that conglomerate retailers are getting very aggressive across categories and unfortunately/fortunately, most of these retailers are either part of a big house so their dilution if at all happening is not visible or they are unlisted in India, so we are not able to track that infusion that closely. So, just wanted to understand, are we competing some of those big names or are we actually still mocking our competition, which was the case pre-pandemic?

**Ashish Dikshit:** So, I think, we have always stated and you saw that in our strategy that the opportunity is what excites us more than the competition. It's a very large market depending on who you ask, it's \$70 to \$75 billion, how much of it would have recovered, but when it normalizes, Indian apparel market is perhaps one of the largest if not the largest consumer space in this country. The extent of branded play is still limited reflecting the fact that even a major player like us is less than \$2 billion in revenue, \$1.5 billion in revenue. So, that tells you how large the fashion space is and how little is the penetration right now and what is the large runaway available to us. So, more than looking at competition because each of our competitor or each of our segment that we're playing has a different set of competition. Our strategy need to be guided by opportunity, our own intrinsic strength, our capability to execute and the vision that we have for the business. I am not really looking at competitors and looking at what they are doing and who is your competitor. In each of them, we obviously will have worthy competitors, both national and international and we will have to deal and compete with them.

**Tejas Shah:** And the last one, strategic investment already was considered or accrued for the fund raise?

**Ashish Dikshit:** No. This fund raise, our idea was to get really long-term financial investors, but whose outlook is into future and a partnership that we could build on over next decade or so, as the Company grows and expands its presence in the fashion market. Therefore, the idea was to get somebody whose investment strategy, proven discipline, ability to have long-term partnership in India proven over a long period of time and that's how GIC filled most of these criteria for us and to that extent, this is really how this partnership was conceived.

**Moderator:** Thank you. The next question is from line of Aliasgar Shakir from Motilal Oswal Financial Services Ltd. Please go ahead.

**Aliasgar Shakir:** I have a question first on your fund raise and your growth initiatives that you mentioned. So, and coming from the point of view that we are a Company, which has an ability to generate probably more than Rs 1,000 odd crores of operating cash flow. I hear your comments that we want to accelerate our growth initiatives, but when I see Lifestyle, largely franchise-led growth, even Pantaloons, we are increasing now moving to that goal and in fact the kind of free cash flow generation we have, I thought we have sufficient capital to drive growth in our existing portfolio, correct me if I am wrong. So, I just want to understand what are the broad areas of investment of this new capital? Would it be used for further inorganic growth opportunity that we see in any



new areas and related question there is what should be your guiding force in terms of your margin profitability metric that we should see during this phase of investment?

**Ashish Dikshit:**

Fair point in terms of some of our businesses having strong cash flow generation capability, but as I was explaining earlier to Tejas' question, I think the way we see our potential and what has happened in the last 2 to 2.5 years, many of our platforms haven't really played out to the extent that we wanted to do and rightly so considering the situation that the industry was, the consumer was and the overall landscape was. So, we believe, coming to your question where would large part of these investments go, I would say the largest parts would go in singularly expanding Pantaloons franchise to get it to the potential that it has and contrary to what you are suggesting, we have always maintained that Pantaloons will probably stay at 20% and at best 25% of its expansion to franchise. So, 75% to 80% of Pantaloons expansion would be own capital. Our entire ethnic wear portfolio, we have acquired some of the most well-known and strong brands in the portfolio. We now need to do justice to them by expanding those. Reebok is a large opportunity, our international brands business whether it's America Eagle or international brands, they are going very-very profitably and have a very strong run rate. Reebok is probably a very long-term large opportunity that we are playing out if you look at that market dynamics. So, if you really look at what we have in our hands, other than Lifestyle brands, which obviously have consistently been cash flow generator and need very little capital to grow, even there we will perhaps at some stage 18 to 24 months, we will have to build a little bit capacity on the manufacturing and supply chain side. Most of this would go to strengthen the accelerated growth trajectory that we have created for the portfolio that we have and that's our primary goal. Needless to say, a part of the capital will also have to go as the consumers are pivoting, as digital is getting more importance, both in infrastructure ability, building own dot com business, which is required to actually have captive platforms where consumers shop from you. Today, about 80% of our business come through third-party platforms. That's the other thing that we'll need to invest in. All these are part of organic plan and pretty much part of the plans that we have laid down. FY22 dynamics have affected both our growth investments as well as our capacity because it's have significantly dented the balance sheet versus what we had imagined.

**Aliasgar Shakir:**

Just a quick follow-up here is, so should we build more than Rs. 1,000 crores kind of CAPEX in our existing organic business and are you saying that we don't have any inorganic possibilities in the near term?

**Ashish Dikshit:**

As far as organic CAPEX is concerned, I think Rs. 1,000 crores would be aspirational for us. We would love to spend. I don't think we have the capacity to spend that kind of capital, but the number would definitely be what we would like to do with something like Rs. 700+ crores, which we would invest in this year as we go forward.

**Aliasgar Shakir:**

I was just asking this because we already have that kind of operating cash flow to fund our business.



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**Ashish Dikshit:** No, I think you are looking at this fund raise, which is a long-term strengthening of balance sheet to take us through the next 3 to 4 years of growth with the CAPEX of one year. I don't think that is the right way to look at it. We are suggesting that our CAPEX will be significantly higher this year and perhaps the next couple of years is correct and that number perhaps will be Rs. 700 to Rs. 800 crores at best if you wish and may be on the lower side about Rs. 600 to Rs. 700 crores. It will be a function of our execution and scale at which we can build this, but that's where it would be.

**Aliasgar Shakir:** And on inorganic, any near term possibilities?

**Ashish Dikshit:** So, inorganic, I don't see an immediate thing, but as I have learnt over a period of time in an industry like this where there are so many opportunities available, I think at any point to say there will be never any inorganic would not be a right thing and it would be incorrect for me to suggest that. As and when these opportunities come, we evaluate them both with strategic alignment with where we want to go as well as the right value that is there. As of now that's not the purpose of this fund raise. This is built around a longer-term balance sheet strengthening, which currently requires most attention as far as our organic businesses are concerned.

**Aliasgar Shakir:** Just last one question on balance sheet if I can just ask Jagdish to address, inventory payables yet look higher than pre-COVID levels, even if I adjust for the new store additions, so is this due to the new ventures in ethnic wear or should this reverse?

**Jagdish Bajaj:** Primarily, this is a function of building up the inventories in Q4 for the next season. The payments will flow in FY23 and another reason is the inventory buildup for the expansion plan in all our business segments, including the ethnic business.

**Moderator:** Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

**Gaurav Jogani:** My first question is with regards to the sharp margin expansion that we have seen in the Madura brands, so just wanted to know how sustainable this is and what has led to this sharp margin expansion during the quarter?

**Ashish Dikshit:** I will get to Vishak to come in on this question, but I would only suggest that please look at margins over at least 2 quarters because there is some shift in sales quarter-to-quarter, but Vishak would be in best position to explain this to you.

**Vishak Kumar:** First things first, yes, like Ashish said, we have been on a very good momentum and Q4 also, even in spite of January, which was Omicron affected, we had a very good like-for-like sale. So, that significantly helped. The costs are largely fixed and when that gets spread over a larger sale, then it flows straight to EBIDTA. Also, I think because of a very strong wedding season, discounts were tighter and hence gross margins also expanded a little more. Some parts of it will

not sustain. One is, I think, we will get to a much larger advertising spend as we look at the quarters ahead, so that won't come and there was some part of it, which was still one-off gains of last year with the kind of cost reduction initiatives that we had. So that's broadly the math of where we are. So, the momentum is good. The EBIDTA percentage looks good, but perhaps there are a couple of things where we will invest more in the quarters ahead.

**Gaurav Jogani:**

And one follow up to this. In terms of the store expansion plan, so if we see, we have opened around 145 stores during the year and we are guiding to add around 350 to 400 stores for the year, so anything on that front?

**Vishak Kumar:**

This year also, we actually added about 400 stores, but we closed roughly 250 stores. Now closure also, some of it was real closure, some of it was also some term changes, customer code change etc. So, net-net we did expand close to about 400 stores. Please remember this was also a period of COVID wave 2, etc. where some parts of retail network had to be rationalized where we were not able to get rent concessions from landlord partners, etc. So, we had to do that also. What it has done is, not only has the expansion moment continued, it has churned out a more robust retail network as well in terms of sales per square foot of the network, which we have now. That momentum of about 400 stores per year, I think we will be able to continue for a few more years.

**Gaurav Jogani:**

The next question is with regards to the Pantaloons business. I do understand that the Pantaloons business was impacted due to COVID Omicron impact, but how do you see the overall performance ex of it had we not seen this impact, what kind of a performance internally stacking up about and how is it you were looking, if you can help us with that as well?

**Ashish Dikshit:**

Sangeeta, just give a context a little bit about the large format stores have been particularly most severely affected by COVID, you would have seen it.

**Sangeeta Pendurkar:**

As Ashish mentioned, we have seen given the fact that our businesses are over indexed to malls. We have through the years the fact that large format stores have had a deeper impact and it's true for us, it's true for other players in the industry as well and largely we have had a start-stop with Omicron coming in, wave 2, wave 3 Omicron coming in, we have seen a start-stop and in January and February the business got impacted. However, I think we feel good about our overall performance given all the headwinds that we have had. You have seen the numbers that Jagdish has talked about. We have ended the year with a 41% growth over the last year. Had it not been for January and February, I think our performance would have been even better and when we normalize for that, we have lost ballpark about Rs. 150 to Rs. 160 crores just in quarter 4 on account of the shutdowns that we saw in January and February. I think what is encouraging for us is that everything that we have shifted in terms of strategy over the last 3 odd years, we have seen impact of that. We have made a lot of changes and investment during the pandemic to make sure that we are a much stronger organization. We have had headwinds with the shutdowns, some headwinds with our supply chain issues, which had led to some supplier-led issues, but

overall looking at our performance through the backend of February, March and April, gives us terrific confidence in terms of both our strategy and the return to momentum that we have seen. I think if it wasn't for the closures and the fact that we are over indexed in terms of malls, our performance would have been even better.

**Gaurav Jogani:** And one follow-up to this, as Ashish has also mentioned that looking for a robust CAPEX plan going ahead in all formats including Pantaloons, so how should we consider the store momentum here and what kind of CAPEX could we see after the Pantaloons fees?

**Sangeeta Pendurkar:** This year again we have opened close to about 50 odd stores and just as Vishak explained, we obviously had some challenges there. We would have opened more number of stores if it wasn't for the closure of a few months in the year. We have stated this very clearly in terms of our intention to open stores. We see Pantaloons as the format that works across town classes. In the past, we have clearly said a number of 70 to 75 stores per year and that's the acceleration that we will see going from this year to next year. Even this year, we would have open more if it wasn't for the challenges that we faced, but in the coming year and the years to come, we would take that as the number anywhere between 65, 70, 75 stores is what we would like to open. And commensurate CAPEX that we would need for that is what we will factor in, in our strategy.

**Gaurav Jogani:** And just one last question from my end is with regards to the other businesses. So, if we see during the quarter, the other businesses grew marginally by 1% YoY and declined as a QoQ basis, so if you can highlight how has been the performance particularly for the innerwear and athleisure business in Q4 specifically?

**Ashish Dikshit:** Innerwear business continues to grow rapidly. There are other parts of the business like Forever 21, which has not grown over last year, which forms a substantial part of our other business. Innerwear has grown at about high double-digit 15% to 16% for the quarter.

**Moderator:** Thank you. The next question is from the line of Nihal Jham from Edelweiss Capital. Please go ahead.

**Nihal Jham:** A couple of questions from my side. First on the quarter specifically for our Lifestyle brands, the SSG performance has been impressive and definitely industry leading and you have highlighted certain aspects whether it is done with extension of various brands, which have in a way helped us, I just wanted a little more sense, Vishak, if you could bifurcate that, is it mainly the brand extensions or the improvement of the share at E-Com which can bifurcate give more clarity on this growth. Also, there is talk of obviously a wardrobe refresh kind of a trend currently happening, so are you seeing that trend and that would also reflect in terms of your formal and casual share, how that has played out, that will be the first question?

**Vishak Kumar:** I think it's a lot of questions. First things first, the momentum on growth was overall good in the market. I think we did a little more, but yes there was a lot of wedding season and all of that,

which we were able to capitalize quite well on. We in fact built it very well. We had built a very strong wedding line, etc. As you know, during the periods of pandemic, we had also built a very-very strong casual line and sports line, etc. Now that also came very nicely into the party and with the third impact which is of back-to-work happening and a very strong comeback of a lot of people when they are going back to offices, buying new clothes for that, all of this together, we were able to capitalize on all three segments. So, that is what created a good strong momentum. Our many initiatives, which we have been taking over a long period of time, including a 12 season model, which allows for greater flexibility and ability to put what is required in the market at that point of time, some of those things also are very hard to put as a silver bullet, but they contributed significantly. Many supply chain initiatives including a lot of technology in terms of retail assortments also helped. So, it was many things, which went together to be able to deliver and it's not just Q4, if you look at Q3 also, that same trend continued. So, it is in that sense an extension of many of those initiatives bearing fruit.

**Nihal Jham:**

Could we point out any one of these aspects standing out or this all is equal mixes?

**Vishak Kumar:**

One would be hard, but if I were to say the top 3, it's a very-very strong wedding assortment, a strong formal assortment and a strong sportswear and casual assortment. All 3 together came very strongly, which were enabled by multiple things at the backend to be able to create a force multiplier as well.

**Nihal Jham:**

Second question, Ashish, was on the fund raise, just considering the quantum in terms of how our CAPEX has been in the past and also the average ticket size of our recent investments, is it by any chance possible to give a bifurcation, you mentioned Pantaloons would be the first in order, of where this Rs. 2,000 crores could be incrementally invested in and the second related question to that is, does it change our targets, which we have laid out for FY26 considering the pace for Pantaloons and all the other brands accelerate versus the earlier that we had?

**Ashish Dikshit:**

It is harder to give exact breakup, but clearly this is meant to strengthen balance sheet to a point that next 3 to 5 years, our expansion is well supported. A large part of our growth story is built around growth of formats that we have, the two very strong ones, which are Lifestyle and Pantaloons are well positioned, but they still have a large runway. There are new ones like innerwear, which needs to double and triple over the next couple of years. There is whole ethnic wear portfolio where we started from zero and we have committed about Rs. 1,500 crores by FY26. In terms of where we stand in that journey, I think our current confidence is that we will do well above that number and that's the strength of the platforms. Reebok has additionally got added, some of the confidence around our ethnic wear also comes from the new launches like Tasva, Jaypore coming on its own and therefore at this point in time, we feel that the projection that we had made for FY26 a year and a half back, despite the fact that we've lost almost 6 to 9 months, we feel even more stronger that we will not only achieve it, but exceed those numbers. A large part of our capital will have to go into growing and therefore Pantaloons and ethnic and



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innerwear, perhaps in that order would take the largest amount of investment as far as capital is concerned.

**Nihal Jham:** I will look forward to more details in the coming call.

**Moderator:** Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

**Ankit Kedia:** The first question is regarding the fund raise, why did you select the warrants option and not direct equity?

**Ashish Dikshit:** We were looking at longer term solution for our capital needs for 3 to 5 years, at least 5-year horizon. So, we came up to a number. As you can make out from the previous questions that it's not that we need all that capital today. We wanted to make sure that our balance sheet is strengthened over a period of time and capital infusion is more in line of what we think would be our requirement as we go forward and that's really how we needed to stagger it and warrants came up as the best solution to do that.

**Ankit Kedia:** My second question is regarding the D2C strategy, which was laid out last quarter, just wanted to know what will be the capital infusion because few of your press interviews last quarter suggested Rs. 250 to Rs. 300 crores investment. Does it change after the fund raise or that capital remains at the same level?

**Ashish Dikshit:** No, I think as far as D2C is concerned, let me first state very clearly that we have said after initial infusion of the capital, we would like to raise capital externally in that entity directly. That plan doesn't change at all. This fund raise is not to fund D2C business directly from this side. We have a clear strategy in D2C, which we laid out. We will stay consistent with that. We had mentioned an amount at that point of time between Rs. 300 to Rs. 400 crores, but that might change a little bit because the idea is to first get 8 to 10 investments made in this year and then go out and raise capital on that. So, that's on a separate track. I think it will have its own investment profile and will also have its own funding profile. Our current fund raise is primarily targeted to accelerate the growth of businesses that we currently have and the ones that we have in the portfolio, either part of Pantaloons, ethnic wear or innerwear portfolio.

**Ankit Kedia:** And my last question is regarding your debt/equity, you have always mentioned that you are comfortable with 1 to 1.5x debt to equity, is it safe to assume we will continue with that or we want to be debt-free going forward?

**Ashish Dikshit:** I think as a long prudence, long-term guidance, which we can consistently go by, Jagdish had given that number in the long term plan that we have and we will stay with that. So, there is no change in that. Of course, there will be periods when cash flows will be such that probably it may just exceed marginally or there will be periods in which they will be debt free. Our business



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will go through those cycles, but we will stay within the boundaries that Jagdish has laid out earlier in his long-term plan.

**Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

**Devanshu Bansal:** Sir, Pantaloons, we were doing close to about Rs. 8,000 to 8,500 revenue per square feet pre-COVID, can we get back to this run rate in FY23?

**Sangeeta Pendurkar:** So, as I mentioned before in terms of our strategy, I think all the things we have done to strengthen the proposition of Pantaloons and if you would have seen during the pre-pandemic, we were on a good trajectory to strengthen our productivity through the stores. What obviously we have seen over the last two years is a disruption on account of lower foot falls and that story has been told by us and many of the other players in the industry. In FY23, our endeavor will be to absolutely improve the performance over this year. I think both with demand coming up and these supply chain issues being settled, we seem pretty confident plus in the interim, I think we have done a lot of things as I was eluding to before in terms of strengthening our proposition. If you look at it, a lot of our large stores have been renovated. Our entire effort is to get to a much stronger customer experience, both offline, online and omnichannel. So, our endeavor would be definitely to get as close as possible with a better product proposition with investments in marketing, with expansion in distribution, which of course does not improve the same store productivity, but all in all, a better proposition for our customer and a better customer experience built on a stronger brand, a better product aesthetic and an improved in-store experience with the new retail identity and the investments in the brand, our endeavor would be to definitely get back to the pre-pandemic levels.

**Devanshu Bansal:** Secondly, for these 75 to 80 store additions that you plan, what is the estimated CAPEX that you expect to do in Pantaloons, this question is because the store sizes that we have been opening are relatively lower now?

**Sangeeta Pendurkar:** So these stores, again, it is the function of the size of the stores. I think with the new **(Inaudible)** **48.18** that we built, our investments in CAPEX per square foot have been higher, but ballpark, the investments would be in excess of about Rs. 150 crores that we're looking to invest in Pantaloons, purely from a store expansion standpoint and some renovations included too.

**Devanshu Bansal:** So, Ashish, just wanted to understand what is the rest Rs. 550 crores of CAPEX that would go into other segments like innerwear and ethnic, can you break up or segregate the CAPEX for each of the divisions.

**Ashish Dikshit:** I don't have the number right now, maybe Jagdish can share with you in greater detail, but a lot of it would be Pantaloons renovation, which would be over and above the expansion plan that we talked about with a lot of investments in digital and backend, which is warehousing and



supply chain. There will be subsequently a large investment that we have planned in our ethnic wear business, particularly Tasva where we plan to launch 65 to 70 stores next year, Sabyasachi where we are very expanding globally, Jaypore where we will be opening 15 to 20 stores this year on the base of 10 to 15 stores. Part of Lifestyle brands would see investment in manufacturing as we scale up the backend of that businesses as the frontend is scaling very-very aggressively and as you might know, this is the only business where we have a manufacturing largely to ensure that the premium quality is kept in-house. So, it's a whole bunch of initiatives around both growth, refreshment like Sangeeta mentioned for Pantaloons for renovation and for backend, which is both digital IT being one side and supply chain and manufacturing on the other side.

**Devanshu Bansal:**

And lastly, we have delivered about 19% EBITDA margins in H2. So, I request you to provide some colour on margin trajectory going ahead given the investment that you are going to make. This 19% sort of EBDITA margin can be sustained going into FY23?

**Ashish Dikshit:**

I don't want to, at this point in time, give an indication on the margin. I think you have seen the trajectory over a period of time, FY23, FY22 second half was buoyed by 2 factors, one is significant cost depression that we had done through efforts right across the organization, store network refresh, closing down lot of lower productivity stores, driving hard rental negotiation and other cost measures that we have taken and to that extent, the cost base itself has got slightly deflated, some of it would come back. Part of our advertising investments, as Jagdish had mentioned in the opening speech will need to go significantly higher than where it had come down to in FY21 and FY22 where we had to take deep cuts on that and that will come back to the pre-pandemic levels. So, these were 2 effects, which will probably moderate some of the good outcome, which is a more buoyant market, relatively stronger position in the market compared to other brands, at least in the Lifestyle segment. The benefits of the refresh that we are doing in Pantaloons both on the product and experience, the store investments that we are doing. So, to that extent, some of that will be offset by cost coming back to the levels that they were pre-pandemic and that would probably indicate a margin, which may be slightly lower than H2 that we have indicated.

**Moderator:**

Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

**Ankit Babel:**

A couple of question. The first is in this D2C business, should we expect some cash burn in the initial years?

**Ashish Dikshit:**

There would be because while what we would acquire would be largely profitable businesses, though subscale, but to get them scaled would require investments, which may have to go through a period of losses in that business that you'll have to do to grow these D2C brands. Some of them would be seller brands, which are intrinsically profitable and hopefully will remain that way. Some of them are direct-to-consumer brands, which require deeper investment in early



phase to acquire customers, create stickiness around that and they will go through a period of losses in that. So, it is fair to expect some degree of losses in that business initially.

**Ankit Babel:** My second question is you did mention that you people are now confident of exceeding your FY26 guidelines with so many new brands coming into and scaling up the CAPEX also. So, I understand that from the top line point of view, there is a visibility of exceeding the guidance, but from bottom line perspective also you feel that you will exceed the guidance for FY23?

**Ashish Dikshit:** Very hard to say, but I would say we should at least stay what we had indicated at that point of time. So, investment into growth is meant to create a very profitable business, that's what drives our thinking on these and therefore there is no reason at this point of time to change that.

**Moderator:** Thank you. The next question is from the line of Abhishree Bang from JHP Securities. Please go ahead.

**Abhishree Bang:** My question is that it is mentioned in market update that inflationary pressure is offset by price increase, so how is the response that Company got for this price increment?

**Ashish Dikshit:** Many of these price increases have been more continuous in nature than a one-time. If you follow textile value chain, the raw material prices have been going up now for last 9 to 12 months. Of course, the intensity may have gone up of late, but there has been a continuous price inflation in raw material prices and there has also been there for a consistent matching of that at least from the second half of last year. Much of that will play out and will depend on how rest of the inflationary environment plays out in the country across other consumption baskets over the next 6 to 12 months. We will have to keep a watch on it. Too early to say that it would. In past, there have been times when most of these price increases have been passed on and consumer has had very little volume impact, but I think this time will be guided by overall macro situation as far as the inflation is concerned and that may have some repercussion, but we will continue to keep an eye on it. At this point of time, we remain hopeful from the current trajectory that most of this price increase will be absorbed by the consumer.

**Moderator:** Thank you. The next question is from the line of Yash Khemka from Yashwi Securities Private Limited. Please go ahead.

**Yash Khemka:** I just had a question that what will be your guidance across surveillance in terms of revenue for FY23, could you throw some light on that?

**Ashish Dikshit:** We don't give guidance of that nature. At this point of time, it's hard for us to put a number to it. We have an internal target that I don't think it will be fair right now to give guidance on that.

**Moderator:** Thank you. The next question is from the line of Rajiv Bharati from DAM Capital. Please go ahead.



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**Rajiv Bharati:** On Pantaloons, you said that you have lost Rs. 150 crores in Q4. Can you provide what was the lost sale in H2, just to get a trajectory?

**Ashish Dikshit:** I think the number would be probably similar or little bit more around that. So, effectively we have lost closer to Rs. 300 crores in this period due to various impacts that happened. Of course, the number is much higher as you can make out in H1, but overall number for H2 also would be in extent to Rs. 250 to Rs. 300 crores.

**Rajiv Bharati:** And on the innerwear side, if I heard it right, you said we grew 15% YoY in Q4. Can we break this for Q4 and 33% for the full year number in terms of volume growth?

**Ashish Dikshit:** I won't have that number right now. We can share with you separately.

**Rajiv Bharati:** And lastly on the sourcing side, on the innerwear particularly, did you see some disruption due to the issue in Sri Lanka?

**Ashish Dikshit:** No, we don't have much sourcing from there. So, while initially it was an important part of our early years, but over a period of time, we have been able to diversify into other countries and to the extent, we have not got impacted or have a large business coming out of Sri Lanka. That has not affected us.

**Moderator:** Thank you. The next question is from the line of Vaibhav Agarwal from Basant Maheswari Wealth Advisors. Please go ahead.

**Vaibhav Agarwal:** My question is, we are raising about Rs. 2,200 crores in capital and assuming that we deploy this capital over the next 3 years by FY26, what is the kind of asset turnover ratio that we can expect from this?

**Ashish Dikshit:** We have laid down a plan very clearly, which was given at the beginning of last year where we have created both revenue profitability, overall projections on that. That plan has got appended to certain extent because of losses that we have incurred in H1 particularly and to some extent part of H2 in FY22. A part of the capital would strengthen the balance sheet, which has got impacted by last year. Rest of it would be ploughed back to actually accelerate some of the plans, which have not got played out last year. Also, as I indicated, with the strength of platforms we have with the addition of Reebok now and some of the other ethnic wear opportunities that we played out, we are looking at exceeding those numbers. So, projections will remain hopefully ahead of what we had predicted around FY26 numbers. To some extent, this capital is making up for lack of acceleration that we have missed out in FY22 and to cover up for losses that we had in the first half of H1.

**Vaibhav Agarwal:** Would it be right to assume that the kind of momentum that we lost in FY22, we would have to dilute our equity to the extent of 7% or 7.5% for that particular loss in momentum in FY22?



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**Ashish Dikshit:**

Not at all. I think it would be totally incorrect to see that way. Equity is built with a long-term point of view with 4, 5, 6 years' growth trajectory, ambition and opportunity point of view and therefore it cannot be linked with one quarter and one half. All I was commenting on was our projections for next 4 to 5 years. They have been pulled back in last 12 months and some of that needed to be re-accelerated. Equity is the long-term capital and it needs to be seen with that light. What happens in one half or one quarter would obviously impact some of those, but that's not the most critical element when we think about long-term capital wise.

**Moderator:**

Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

**Ankit Kedia:**

Just on Reebok, the consolidation was supposed to happen from Q1. Has there been a delay given that globally the deal has actually completed, when can we see that happening in India?

**Ashish Dikshit:**

The deal we starts seeing from quarter 1 of this year. The deal, you are rightly saying, has got completed. We will get the consolidated numbers from quarter 1 this year.

**Moderator:**

Thank you very much ladies and gentlemen. On behalf of the Management, we thank all the participants for joining us. In case of any further queries, you may please get in touch with Mr. Rahul Desai or Mr. Amit Dwivedi. You may now disconnect your lines. Thank you for your participation.