Operator: Ladies and gentlemen, good day and welcome to the Q4 FY26 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 FY26 performance, followed by a question and answer session. We have with us today Mr. Ashish Dixit, Managing Director, Mr. Jagdish Bajaj, CFO, and Mrs. Sangeeta Tanwani, Director and CEO of 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 risks that the company faces. Please restrict your questions to the quarterly 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.

Management: Thank you. Good evening, everyone. Thank you for joining us today for the Q4 FY26 earnings call of Aditya Birla Fashion and Retail Limited. Starting with the demand environment in this quarter, demand trends during the quarter remained broadly in line with what we have seen over the past quarter. The wedding calendar was relatively weaker compared to the same period last year. At the same time, towards the end of the quarter, the market began to see the emergence of certain disruptions in the context of geopolitical uncertainties, and we shall see how these developments play out.

Against this backdrop, our company delivered a strong performance. Pantaloons was a key highlight with one of its highest year-on-year growth performances. The company's overall revenue momentum was broad-based across channels, with both stores and e-commerce continuing to perform well and building on the improvement seen in the previous quarters. We also continue to invest in future growth through calibrated store expansion. During the quarter, we added around 70 new stores, taking the total additions for the year to over 180 stores. As these stores mature, they are expected to contribute meaningfully to revenue growth, productivity improvement, and profitability with operating leverage setting in. In summary, the quarter reflects healthy momentum across the portfolio, robust execution across channels, and continued investment behind avenues of future growth.

Now moving to the financial performance of the quarter, ABFRL posted 16% YoY growth to reach Rs 1,990 crore versus 1,719 crore last year. Within segments, the Pantaloons segment delivered 19% YoY growth led by 17% YoY growth in the core Pantaloons format. TMRW maintained momentum, delivering 45% growth year-on-year. I would like to emphasize profitability for this quarter in the context of a few one-offs in the base quarter. It is important to note that last year included a one-time gain of Rs 97 crore relating to inventory write-back and accounting treatment relating to the demerger, which was explained in detail during the Q4 results of last year. Please note that comparisons are made against a base excluding this impact.

This quarter also saw a gain of Rs 83 crore from a derivative gain within TMRW's associate company compared to Rs 22 crore in the same period last year. These gains are getting consolidated at the ABFRL level and are non-cash in nature. Excluding both of these impacts, EBITDA grew 29% year-on-year with margins at 11.5%. Within overall EBITDA, our ethnic business margin specifically saw a big expansion of 390 basis points year-on-year, mainly due to the reduction in TCNS losses. Reported loss for the quarter stood at Rs 164 crore compared to Rs 171 crore in the same period last year. This includes a one-time exceptional charge of Rs 11 crore related to the Wage Code. Here also, please note that last year's reported PAT included a demerger gain of Rs 97 crore. Adjusting for this, the revaluation gain in TMRW's associate, and the Wage Code impact, the loss at the PAT level has reduced from Rs 289 crore last year to Rs 235 crore this year, highlighting better underlying operating performance.

Management: Moving to the financial performance for the year, ABFRL delivered revenue of Rs 8,177 crore, registering an 11% YoY growth. This was supported by double-digit growth across the ethnic, TMRW, and luxury businesses. EBITDA adjusted for the demerger gain and the revaluation gain in TMRW's associate grew by 23% YoY to Rs 903 crore with the margin at 11% versus 10% last year. This reflects the continued improvement in operating performance across the portfolio. As of March 2026, ABFRL had gross cash of Rs 1,549 crore at the consolidated level, while gross cash at the standalone level stood at Rs 1,144 crore. The gross debt at the consolidated level is 1,695 crore and at the standalone level is Rs 740 crore.

On a pre-IndAS EBITDA basis, full-year performance continues to improve. Ex-TMRW consolidated EBITDA stood at a loss of Rs 33 crore against a loss of Rs 75 crore in the previous year. At the standalone level, we are at EBITDA break-even. Our overall retail network stood at 1,273 stores spanning almost 7.9 million square feet. During the year, we added 0.6 million square feet of retail space on a net basis, further strengthening our presence and supporting our growth agenda.

Now let me brief you on the performance of individual segments. Coming to the Pantaloons segment, the business delivered one of the strongest growth quarters in the recent periods with revenue growing 19% YoY to Rs 1,048 crore. The performance was supported by healthy 14% like-to-like growth in the Pantaloons format, reflecting sustained underlying momentum. Profitability also improved during the quarter with the EBITDA margin at 15.5%, expanding by 40 basis points year-on-year. This is despite the impact of the continued ramp-up of stores opened during the quarter. Over the past 18-24 months, Pantaloons has undertaken strategic shifts that have strengthened its customer and product proposition, elevated the in-store experience, and sharpened execution across the business. These actions are enhancing the relevance of Pantaloons for today's consumer while positioning the business as a stronger and more sustainable growth platform over time. Pantaloons continued to strengthen its presence with its store network expanding to 719 stores. This included 12 new stores added during the quarter and 34 stores added in FY26. We will continue to scale this business in a disciplined manner as we build it into an important growth platform for our company in the largest addressable market.

Coming to the ethnic business, the business delivered annual revenue of Rs 2,227 crore in FY26 growing 14% YoY, and growth in Q4 stood at 4% versus last year. The portfolio continues to scale well with a network of over 680 stores across key markets in the country. The business also delivered a 16% like-to-like growth during the year, reflecting continued consumer traction across the portfolio. Profitability improved significantly with the FY26 EBITDA margin expanding by 560 basis points to 10.8%. Overall, the ethnic portfolio made solid progress during the year across both growth and profitability and remains a key strategic pillar for us.

As you are aware, our ethnic portfolio comprises two segments: designer-led and premium ethnic. Our designer-led ethnic portfolio continued to perform well, delivering robust growth along with strong double-digit profitability. Revenue momentum was supported by focused category extensions, craft-led and contemporary product launches, and deeper brand collaborations across the portfolio. Now, within premium ethnic wear brands, TCNS continued with its profitability improvement journey during the year. The business delivered 7% like-to-like growth in Q4 and 10% like-to-like growth in FY26, supported by a sharper product proposition, refreshed collections, and new launches that resonate well with consumers. As indicated earlier, we made meaningful progress on reducing losses, with full-year cash losses reducing by more than half compared to last year. We remain focused on further improving the margins profile through better store productivity, cost discipline, and operating leverage as the business scales.

The business has also kick-started its expansion journey this year in a calibrated manner, adding 23 new stores during FY26. During the quarter we also launched the first W flagship store in Mumbai, which is an important step in strengthening the brand's retail presence and showcasing the refreshed proposition to consumers with all its brands under one roof. Tasva continued its strong growth trajectory during the year, delivering consistent double-digit like-to-like growth for the quarter as well as for the full year. The brand continues to build strength across product, retail experience, and brand image with a clear focus on scaling across India's key wedding markets. The network now stands at 94 stores and we will continue to expand selectively in high-potential wedding markets. Jaypore also delivered double-digit growth supported by store expansion and healthy e-commerce performance. The brand now has its network of 44 stores and continues to strengthen its position in the premium artisanal and craft-led ethnic wear space.

On luxury retail, the Collective and Mono-brands business continued to grow profitably with its total network, including mono-brand stores, at 49 stores. Galeries Lafayette, India's first flagship luxury departmental store, commenced operations in November 2025 and has seen encouraging early traction. The platform continues to drive consumer engagement through curated luxury experiences and collaborations, setting new benchmarks in luxury retail in India.

Our digital brands portfolio, TMRW, delivered 45% YoY growth in Q4 underpinned by category extensions and high-impact marketing campaigns. Q4 cash losses narrowed YoY led by better scale efficiencies and operating leverage. The portfolio also continued to build its omni-channel presence, closing the quarter with 120 stores across key markets nationwide. As you are aware, with the equity issuance of Rs 440 crore during the year and more recent fund tie-up of Rs 500 crore through NCDs, TMRW is now adequately funded with Rs 800 crore cash to pursue its aggressive growth plans.

In conclusion, the quarter reflects strong momentum across our businesses supported by steady improvement in profitability. We are seeing encouraging progress across both established businesses and newer initiatives driven by healthy LTL growth, robust channel performance, and continued execution discipline. As we look ahead, the market environment may continue to evolve and we will remain focused on responding with clarity, speed, and discipline. Our priority is to stay close to consumer trends, make the right choices on product launches and network expansion, and continue executing with financial discipline. We will continue to scale our newer businesses in a calibrated manner while building on the strength and momentum of our mature businesses. This balanced approach should help drive long-term growth, improve operating leverage, strengthen the overall margin profile, and build a solid foundation for sustained profitability over time. Thank you and we are happy to take questions now.

Operator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Archana Menon with Morgan Stanley. Please go ahead.

Archana Menon – Morgan Stanley: Am I audible?

Management: Yes, please.

Archana Menon – Morgan Stanley: Yes, so my question was on the Pantaloons format. If you could just help us understand what drove this 17% revenue growth. I understand there could be some benefit of the EOSS which moved into this quarter, but any additional details you could help us with on this?

Management: Sure. Thanks, Archana, for the question. This is Sangeeta. So, Archana, like we had told you in the last call, the reason why we had pushed our EOSS is because based on our new strategy, we were pretty confident of our merchandising sell-throughs and therefore we have chosen to move the EOSS into January. This is really a quarter where we think our strategy that we have been working on for the last 18 months with a concerted set of actions is translating into results. This starts from, as Jagdish alluded in his speech, fundamentally defining our target audience in a very sharp manner and strengthening the Pantaloons proposition with a superior customer experience.

Some of the key levers that we have talked about in the past where we have now seen results come through clearly are the reset of our merchandising strategy, specifically in three categories: women's western, menswear, and the non-apparel category. We have seen growth in excess of 20% in each of these categories in Q4. Our sell-throughs, which are again a very important metric of the success of our merchandising strategy, we have seen the highest ever sell-throughs in our autumn-winter season.

Secondly, I think the new store strategy with the new design and the purpose of creating a distinctive and superior customer experience seems to be paying off well. The customers seem to be liking our stores. They are well accepted and we have seen the new stores also delivering very good results. We have opened large stores, as you probably know, and while we may have reduced the overall the number of stores, in terms of square footage, we have added about 68,000 square feet of space during the course of the year despite having a lesser number of stores because the stores we are opening are larger stores and we have the confidence of our proposition working.

Third, regarding our online business, I had alluded to this also in the last call. We feel again very confident about this business. It has demonstrated terrific growth in Q4 and through the year, and we are now ready to scale this business. We also relaunched Pantaloons as a brand, made significant marketing investments largely in the digital space, signed up a celebrity, and again we have seen good results. So, even if you keep the EOSS piece and you normalize for that, and even if I look at November to March—which normalizes for festive shifts on the previous period and on this side normalizes for the EOSS shift—our growth is very strong both in terms of LTL and total growth even for the period from November to March. From a consumer profile standpoint, again we are seeing that the customers who we were targeting demographically seem to be seeing us as appealing to that set of customers in a more relevant manner. So, these are some of the drivers of our strategy which we have talked about very consistently through the year. Strategy has been translated into action. We had said in the last call that we were seeing some green shoots and we are very pleased with the quarter results that we have just delivered.

Archana Menon - Morgan Stanley: Thanks, Sangeeta. That is great to hear. Just continuing on this, firstly could you help us with your online share of revenues for Pantaloons currently? And secondly, regarding all of these positives that you spoke of, is that helping you in higher customer walk-ins or is it more conversion or ASP? Are there any numbers that you can help us with? If not for the full year, at least for the exit, which you think is more sustainable going ahead?

Management: Online as a business is still very small and if you recall a couple of years back, we had said that we would not invest in that channel. But over the last year, we called out omni-channel as one of our priorities because we now have a path to profitability. The reason why we had paused that business was because we wanted to make sure that we could get the unit economics right and make this business profitable. So today it is about 3-4% of our business; it is not very large, but with all the shifts we have made this year, we feel confident in scaling up this business.

To your third question regarding the customer KPIs, the biggest one which we feel very good about is the increase in our basket sizes. That again is a ratification of the fact that the customers who are coming into our stores are liking what they are seeing; they are liking the experience in our stores and they are liking the merchandise. Of course, it comes with a lot of operational discipline which is a very important leg of our strategy as well, in terms of how we serve the customer and the rhythm of how we display our merchandise. So, the increase in basket sizes has been one of our biggest levers of growth.

Archana Menon - Morgan Stanley: Thanks, and just the last question from me on the current environment with inflation. What is the level of inflation that you are facing for Pantaloons and for Style Up? What is the strategy around that? In which areas do you think you can take price hikes and should we be thinking of any margin impact in the next couple of quarters?

Management: Archana, I will take this question because this is broadly relevant to the entire portfolio, not just to Pantaloons. We are experiencing something like 3-4% inflationary pressure as far as raw materials are concerned. Obviously, this is not the entire cost; raw material is a part of the cost, and therefore effectively it would put pressure in the second half of the year. To fully counter it, we would take price increases between 5-8% depending on the category. We are still evaluating and we do not have a firm view on whether we will pass on all of it or some part of it, and perhaps we will be differentiating between different parts of the businesses.

Archana Menon - Morgan Stanley: Thanks, I will come back in the queue.

Operator: Thank you. The next question comes from the line of Tejash Shah with Spark Institutional Equities. Please go ahead.

Tejash Shah – Spark Institutional Equities: Hi, thanks for the opportunity. My first question pertains to your read on demand sentiment because this quarter was a slightly muddy quarter. The first two months were very normal and then the last month we saw disruption at a macro level—not necessarily in India but otherwise sentiment-wise and supply chain-wise. Has the last month disrupted the flow materially or at all, and should we extrapolate this sentiment or revival that we have seen into FY27 as well?

Management: Tejash, I think FY27 on a full-year basis is perhaps too much of a stretch when things are changing on a daily basis. It would be hard to assess on a full-year basis. But to your question on a more near-term basis, you are right. I think there was a marginal impact in March which slowed down some of the momentum which had built up in the previous 3-4 months. But we have seen demand return to nearly normal for most part of April and going into this quarter. So as of now, while we feared a significant risk on demand, we have not seen it play out. Having said that, most of the inflationary pressures are perhaps still at work and may play out fully over the next 3-4 months. Therefore, the consequent pressure on demand is something that we will have to wait and watch for in the second half of the year.

Tejash Shah – Spark Institutional Equities: Clear. Second, hearty congratulations on a super LTL on Pantaloons. First, I just wanted to understand what would be the breakdown of volume versus price and premiumization mix on that. And second, the point Sangeeta mentioned that it is still basket size increase that we are seeing; when do you think that this will actually convert into word-of-mouth momentum and we will see increased footfall as well because of the changes made in the last 18 months?

Management: Hi, Tejash. As far as footfall and walk-ins are concerned, we have seen through the back end of Q3 and Q4 an increase in footfall. Therefore, we feel that the momentum generated—with walk-ins being a part of our growth—is working because you need that funnel at the top to deliver conversions and basket size. We have already seen a step-up in our basket size towards the second half of Q3 and into Q4. As far as pricing is concerned, our price increase through the year was negligible. We have hardly taken any price increases. In fact, in Q4, our pricing would have been marginally negative. So a large part of the growth has come from volume.

Tejash Shah – Spark Institutional Equities: Clear. And looking at the response that we have got—with LTL also confirming that—should we revisit our mid-single-digit LTL guidance? And also, should we revisit our store expansion plan to the much more upper end of the guidance?

Management: I will step in here, Tejash. I think strategy has taken time for all parts of it to come together. As Sangeeta described, from mid-to-late October—almost for the last 5 months of the year and going into this year—we are seeing a fairly consistent uptick in almost all measurements, both quantitative and qualitative. This gives us confidence that much of what has been worked upon in the last year and a half is actually turning into a consumer benefit which is showing up in the response.

Now, we would obviously in this environment be a little watchful. But I would be more inclined to go with your suggestion of slightly better and more rapid expansion. We won't change the funnel immediately as it takes a long time for the pipeline to shift, and therefore some of it will be back-ended as far as this year is concerned. We also hope we will continue this momentum of strong like-to-like growth. Even if we take away the EOSS impact in this quarter, the five-to-six-month delivery of high single-digit, near double-digit like-to-like that the business has been delivering month-on-month is something that will hopefully stand out for the later part of the year. My only concern is really the demand compression towards the second half of the year if the cost inflation—not just in textiles but in the overall basket—brings any slowdown in the market. But we are feeling very confident about the strategy. It's not just that the stores are looking good and the products are looking good; consumers are responding well, and finally, it is also beginning to flow into the financials.

Tejash Shah - Spark Institutional Equities: Thanks. That is all from my side and best wishes for the coming quarters.

Management: Thank you.

Operator: Thank you. A reminder to all the participants that you may press star and 1 to ask a question. The next question comes from the line of Garima Mishra with Kotak Securities. Please go ahead.

Garima Mishra - Kotak Securities: Thank you so much for the opportunity. My first question is on the company's cash flow situation. It seems like cash consumed in FY26 is roughly on the order of 1,400 crores. I am just summing up the operating cash flow, payment for lease liability, and capex. How are you viewing your liquidity situation considering that under your earlier guidance the company becomes FCF positive only by FY29?

Management: Great point, Garima, thanks. I will have Jagdish respond.

Management: Thanks, Garima. So at the standalone level, we started the year with gross cash of 2,100 crores. As stated, we are planning to utilize it: 1,000 crores in FY26, 600 crores in FY27, and 500 crores in FY28, post which we aim to be FCF positive in FY29. In FY26, we were cash EBITDA positive at the standalone level. As we aggressively ramped up our new businesses during this year, we consumed a total of around 1,000 crores: 300 crores towards working capital, 450 crores towards capex, and we infused 250 crores into our ethnic subsidiaries. In FY26, our investments were high due to the one-time investment in Galeries Lafayette and investment in working capital and capex of Rs 450 crore. We also rebranded which aggregated to Rs 200 crore. This is some sort of one-off, one-time expenditure.

But for FY27, we aim to utilize 600 crores towards the ramping up of businesses and invest in working capital and capex of 450 crores, and 150 crores will go into investment in subsidiaries. From now onwards, as our subsidiaries—including Reebok and TMRW—have reached size and scale, they will fund their own growth. In salt context, TMRW has already tied up debt funding of 500 crores by way of debentures. On completion of this funding, they will have 800 crores cash on their books which will support TMRW's growth plan. So we have to spend not more than 600 crores during this year. I have roughly 1,150 crores cash available with me which is sufficient for next 2 years' cash.

Management: Ashish, this response was from the context of standalone?

Management: Standalone, yes. Because that is the investing entity and we have looked at the investment in all the subsidiaries as well as our own internal need for funding for the standalone part.

Management: So at the consolidated level, you are right about the 1,400 crores, but that includes TMRW's losses, for which they have already raised 440 crores of equity.

Garima Mishra - Kotak Securities: Okay, understood. So you are basically saying that incrementally you are not foreseeing some big debt increase or additional large debt requirements that the company needs to take. There is debt, but against that there is cash and that cash you can keep consuming.

Management: That is right.

Garima Mishra - Kotak Securities: Okay, understood. My second question is on Pantaloons. Over the last few quarters, the store count per se has not changed meaningfully. Does this 399 store count include stores of Style Up as well? And how should we look at store addition plans going forward?

Management: Hi Garima, this is Sangeeta. So 399 is just the number for Pantaloons. It does not include the Style Up number. As part of our strategy that we defined 18 months ago, we chose very consciously to close stores that were not profitable or stores that were not in line with our strategy. Over the last couple of years, we have optimized our network. Going forward, as you heard Ashish mention, given the fact that we are seeing some early results of our strategy, the plan for this financial year is about 20-22 stores. As we get more confident, we will look at some point in time to step up this agenda and accelerate our store expansion.

Garima Mishra - Kotak Securities: Got it. And my last question was on the ethnic business. Here, I think the two large entities in the everyday or festive ethnic piece are Tasva and TCNS. Could you highlight the losses which TCNS incurred in FY26? What is the progress on Tasva, what is the response on stores that you are seeing, and when do you expect the Tasva piece to break even?

Management: Garima, Tasva as we have maintained has remained on a very strong growth trajectory and today continues to be in the investment phase. It is an exceptional breakout growth performer in the otherwise somewhat subdued wedding market and ethnic wear category. Like-to-like growth was 20% plus for the full year for FY26 and overall growth is North of 30-33%. So that is on very strong momentum. Profitability will take some time. We have said FY28 and we still feel that is the right assessment at this point.

As far as TCNS is concerned, Vishak will talk about how the losses have halved this year versus FY25. We are still not profitable and it specifically won't be until towards the end of FY27 when we would expect to break even. On a full-year basis, we will definitely be profitable by FY28 onwards. I am giving you post-IndAS numbers, so post-IndAS profitabilities are positive in both cases. I am talking about cash profit.

Garima Mishra – Kotak Securities: Understood.

Operator: Thank you. The next question comes from the line of Gaurav Jogani with J.M. Financial. Please go ahead.

Gaurav Jogani – J.M. Financial: Thank you for taking my question. My question is again in relation to Pantaloons. If we add up the Q3 and the Q4 numbers and compare it with the last year's second half base, the growth is 6%. Regarding the growth we see in Q4, would you say it is merely a shift from one quarter to another? As you have been highlighting that the strategy is working out, are you seeing the benefits seeping into the Q1 numbers as well?

Management: As I mentioned before, even if you normalize for the shift of the EOSS, and if I look at November to March—which normalizes for both the shift in festive from last year versus FY25 and the shift of the EOSS—our results are strong. Therefore, Q3 plus Q4 may not be the best way to look at it because there is a shift of festive sitting there. November-March is the cleanest period to look at the true growth. Our growth is pretty high; our like-to-like, in fact, is in the range of about 7% even for those 5 months.

Gaurav Jogani – J.M. Financial: Sorry, so when you say like-to-like, the reported growth obviously would be in the same line given the store additions have been negligible. Would that be the right understanding?

Management: No, total growth would be slightly higher than the like-to-like growth. It is 9% to be precise.

Gaurav Jogani – J.M. Financial: Okay. And now my second question is with regard to the ethnic space. Within TCNS, would it be fair to assume that while the overall business excluding TCNS growth was nearly 25%, for the year, TCNS revenues would have declined by 9-10%?

Management: No, TCNS revenues were virtually flat.

Gaurav Jogani – J.M. Financial: Okay, because if Tasva has also grown strongly by 38% for the year and Sabyasachi has also grown by 33% odd, what would that be culminating to?

Management: No, there are multiple other designers; there are three other designer businesses and there is Jaypore, so it is a mix of six or seven businesses. I don't know which one you have left out. I am giving you exact numbers. TCNS is just marginally negative, 1% or 2%, and the rest of the designers have varied between 1-2% and 30% plus.

Gaurav Jogani – J.M. Financial: Sure, I will check that. And just last bit, when you say that you will not be requiring incremental cash from FY27 and FY28 apart from the planned amounts, what kind of profitability are you building in across the major segments? That will help us to cross-check our numbers.

Management: I don't want to give year-on-year numbers. We had indicated our overall segmental shift in profitability in our long-term plan. We pretty much stay within that range, both on the cash utilization as well as the profitability journey.

Gaurav Jogani – J.M. Financial: Okay, thank you.

Operator: Thank you. Next question comes from the line of Ankit Kedia with Phillip Capital India. Please go ahead.

Ankit Kedia – Phillip Capital India: Between the Pantaloon division, if I were to take Style Up out, what could be the Pantaloons margins excluding Style Up and what are the losses in Style Up today?

Management: Pantaloons margins for the quarter and for the year are between 18-18.5%, which is the margin Pantaloons has consistently delivered, slightly higher than last year. Style Up losses are causing the rest of the difference in the segmental profitability. The business is still very small and we are investing. We have a whole new team, separated the business, and relaunched the brand this year. We will have to wait for some more time to get a reasonable sense of the profitability of this business.

Ankit Kedia – Phillip Capital India: In this environment where you said demand challenges could come in the second half and we are looking at price increases of mid-to-high single digits, the confidence in Pantaloons would be significantly higher versus Style Up. Should we have slower store openings in Style Up versus Pantaloons this year?

Management: If you look at the Pantaloons and Style Up price segments and market opportunities, Pantaloons with its 400-store network operating at higher price points is looking at 20-22 stores. Style Up, operating at half the average price point and on a startup base, is operating at a similar level. This year we are looking at 20-30 stores, or 35 at best. It's not due so much to the market environment because these are multi-year businesses; we can't react very short-term to these long-term opportunities. This is more to do with us wanting to be clear, getting the operating parameters right, getting the store economics right, and getting the merchandise mix and the team aligned. That is why this year we are not accelerating as fast as the opportunity might allow.

Ankit Kedia – Phillip Capital India: For Tasva, our checks suggest you are entering women's wear in Tasva as well this year. From your profitability perspective for FY28, does that include the entry into women's wear in Tasva or no?

Management: No, I think by then Tasva women's wear, if we do launch, will be a very small part of it. I don't think it will materially create a shift. Unlike launching a new brand where you have fresh costs—a new brand and marketing cost, a new store cost for exclusive stores, and a new team cost—in a Tasva women's launch, we have no incremental cost. It will launch in the same stores under the same brand by largely the same team. Therefore, it will not materially change the economics either way, at least in the short term. In the long term, of course, we see this as a large opportunity.

Ankit Kedia – Phillip Capital India: I know you will not talk much about it, but in which category in women's wear are you planning to launch it and where do you see the white space?

Management: I think women getting married is the white space we are looking at. The opportunity is very large and it's a fragmented market. We will be in a position to talk about it in the next 6 months or so. It's too early. I don't think we will see much action on it in FY27.

Ankit Kedia – Phillip Capital India: Last question, on the cash flow statement, the lease liability repayment for this year versus last year shows a significant decline. Have some high-rental stores been closed or have we moved more towards variable rental? Why has the interest on lease liability declined significantly in the cash flow?

Management: Lease liability has gone up from 3,600 to 4,500.

Ankit Kedia – Phillip Capital India: I am talking about the cash flow regarding the repayment of lease liability.

Management: That refers to the lease agreements; that is separate, but my lease liability is increasing because we are entering into agreements which are reflected on the balance sheet. Cash flow is the adjustment if some closures take place or old leases expire.

Ankit Kedia – Phillip Capital India: But it's a significant decline versus last year. Have we changed some accounting for that?

Management: No, there is no change in accounting.

Ankit Kedia – Phillip Capital India: Okay, I will take it offline. Thank you.

Operator: Thank you. Next question comes from the line of Sameer Gupta with IIFL Capital. Please go ahead.

Sameer Gupta – IIFL Capital: Hi. Good afternoon and thanks for taking my question. Regarding Pantaloons, if I look at the full-year numbers and normalize for festive shifts and EOSS shifts, it's 2% LTL. This has generally been a good year for apparel, with Shoppers Stop and V-Mart both reporting 5% LTL growth. Was the first half poor and the second half much better with all your strategies and actions?

Management: Yes, that is absolutely the case.

Sameer Gupta – IIFL Capital: If that is the case, why are we still not accelerating the pace of store addition? I heard you mention 20-22 store additions in FY27, yet this happens to be a multi-year opportunity. Why is that confidence not showing in our store addition guidance?

Management: It would be a very knee-jerk reaction if we kept reacting to every quarter's responses. We look for long-term trends and opportunities. As Sangeeta mentioned, we have looked at the last 5-6 months of last year and what we are seeing as we get into this quarter. Increasingly, all the pieces of the strategy are coming together.

The store addition pipeline takes time to build. When you decide to add stores, it takes 6-9 months to find the right quality of stores. This is another part of our strategy because we were adding too many stores too rapidly and the quality, impact, and visibility were not of the order we wanted. That pipeline takes time to build. Anything we decide to do doesn't really play out for 6-9 months, and that's why the guidance has not shifted. But we obviously are looking to scale up a little faster. In the shorter term, you may not see the impact of that.

Sameer Gupta – IIFL Capital: So we are still in a slightly cautious mode or is it just that the pipeline takes time to build?

Management: It is the pipeline which takes time to build.

Sameer Gupta – IIFL Capital: Second question, we had 1,400 crores of cash outflow this year and in general, most of the segments' profitability has improved. When you started this year, did we envisage a 1,400 crore cash outflow in the overall business? We are now in a net debt position and the break-even in some of these businesses that require investment is still some time away. Is there foresight of an equity infusion in the near future?

Management: No. If you look at it on a consolidated basis, the net cash position was about 2,400-2,500 crores at the beginning of the year, which was about 2,150 crores on a standalone basis. There was a plan for 1,000 crores this year, 600 crores next year, and 500 crores thereafter. We are going as per that plan, which factors in the stage-level profitability shift across various businesses as well as the growth and capex needs of the business.

While the debt may go up on a net level, there is adequate cash to fund not just the standalone entity, but also any investments required in subsidiaries. There are some subsidiaries which are raising capital on their own. TMRW, with its proposed fundraise at the end of this quarter, will be sitting on something like 800 crores of cash. That is the one which requires the highest growth capital. There are multiple other smaller subsidiaries which have enough profitability to be able to raise capital on their own if required. We have factored in all of this.

Sameer Gupta – IIFL Capital: At the end of the day, we will have a capital structure with a significantly larger net debt, which might be risky in a retail business. How are you looking at that possibility?

Management: We have seen cycles over a long period of time. Obviously, if there is a COVID-like crisis, we'll have to react differently, but we're pretty confident that this is the right structure which allows equity shareholders to maintain their levels of equity while the business grows.

Sameer Gupta – IIFL Capital: Is there a specific level of net debt where you will be comfortable on an absolute basis or a net-debt-to-EBITDA basis?

Management: We'll look at that number as it plays out; I don't want to give projections. As a company, we have previously mentioned that for any of our fashion companies, a ratio around 2-3 is where we want to be. We are very far from it, but that is the guidance we gave previously. It is in the public domain.

Sameer Gupta – IIFL Capital: Capex guidance for FY27 and for the FY26 number of 500 crore total capex, could you give a rough split between Pantaloons, Tasva, TMRW, and Galeries Lafayette?

Management: This included 150 crore for Galeries Lafayette, for the store we opened. That will not be there going forward. Otherwise, the remaining capex has gone into omni-channel, Pantaloons, Tasva, and TCNS. We opened around 30 stores and TMRW also opened around 30-40 stores.

Sameer Gupta – IIFL Capital: And going forward, sir?

Management: Next year, that one-off type of expenditure will not be there. We have in our plan roughly 250-300 crore capex at the consolidated level.

Operator: Thank you. Next question comes from the line of Himesh Shah with Enam AMC. Please go ahead.

Himesh Shah - Enam AMC: Good evening. First, I wanted to understand TMRW. Across the stores, what is your experience in terms of consumer acceptance of the merchandise and the profile of consumers? Given there might be some impact of inflation in the second half, how do you see the impact on this brand?

Management: TMRW is in a very early phase in a market where there are multiple players with between 300-1,000 stores. We have just started the journey, so it is too early for us to make conclusive points about it. There are largely two types of customers. One is young people looking for what one could call fast fashion—which is high fashion but at a low price. The other is simply customers looking for reasonable quality at a low price, which consists of mid-to-low-income family customers. Both these profiles currently exist. We are developing our point of view on where we want to shift our customer focus. I don't want to narrow our opportunity in such a large market at this early stage.

Himesh Shah - Enam AMC: Do you see any impact on demand if the inflation in the second half leads to price actions?

Management: We have seen both at some level. Sometimes inflation causes downward pressure and therefore value retailers gain. At other times, it leads to lower discretionary demand. The size of our business compared to the segment is so small that I don't think we will be a material beneficiary or take a significant hit. We'll have to remain cautious regarding our pricing and perhaps be more conservative with price increases.

Himesh Shah - Enam AMC: Regarding the ethnic category, what is your view on competition, especially from local or regional players? Is there intense or aggressive competition coming up?

Management: This is a category which has seen a large number of players entering the space over the last 8-10 years. From mid-2015 when e-commerce started to develop, it offered opportunities for multiple small brands and manufacturers to list their products. In the last 5-7 years, that has grown rapidly. I don't think new competition is entering this space because it's already crowded with low entry barriers. The challenge is to create a distinctive brand where you can stand out and charge a reasonable premium. If your question is about regular women's ethnic wear, on the men's ethnic wear side, the market is fairly consolidated. There are a large number of smaller players, but the big players have taken a more formidable position.

Himesh Shah - Enam AMC: How do you see current rentals? Do you see rentals lowering or remaining at current levels if there is an impact on demand, and would that change the store addition trajectory?

Management: Rentals are mid-term in nature; they don't follow very short-term phenomena. If the demand compression is longer, there will definitely be compression on the rental side as well. But if it's a very transient and temporary feature, then I don't think it will significantly change that trajectory.

Operator: Thank you. Next question comes from the line of Kunal Bhatia with Dalal & Broacha Stock Broking Limited. Please go ahead.

Kunal Bhatia – Dalal & Broacha Stock Broking Limited: Thank you for the opportunity. We have spoken a lot regarding omni-channel for Pantaloons and the online business in general. Could you give some sense of how the competition is panning out? Are we seeing more competition from other players in the online business? Also, for TMRW, how are you facing competition and how soon do you expect profitabilty?

Management: It's very similar to the question asked about ethnic wear. It is not that new online players are coming; online players have already become established. All the new players that had to come have arrived in the last 6-7 years. There are new players coming in, and older players falling out. As far as the TMRW business is concerned, we report growth numbers every quarter. We're still growing on a full-year and quarterly basis at 30% plus. This is the third consecutive year where we have grown in excess of 25-30% practically every quarter. We are continuing to see a strong trajectory for TMRW.

This is on the back of superior execution, building those labels into stronger brands, and giving management support to the founders. Regarding profitability for TMRW, we had indicated FY29 as the year in which we expect the TMRW portfolio level—the sum of all brands—to become profitable. We still see that journey. All the growth capital is primarily to drive the growth of this business so that it's both profitable and substantive at that point in time.

Kunal Bhatia – Dalal & Broacha Stock Broking Limited: To get to that profitability target, would we be requiring more debt to fund this growth, or should the 800 crores of cash be enough to fund that growth to reach profitability?

Management: We feel 800 crores is a substantial amount of cash for a business which is already on a run rate of 1,500 crores. If you look at the losses reported on an annual basis, they are close to about 200 crores each year. So we feel that there is enough cash to both grow the business and, with scale, drive profitability.

Kunal Bhatia – Dalal & Broacha Stock Broking Limited: Regarding raw materials, you would obviously have your forward bookings for the coming season. What is your anticipation for ABFRL? What is the inflation which has already kicked in for you for the next 6-7 months?

Management: I had indicated about 3-5% in response to an earlier question.

Kunal Bhatia – Dalal & Broacha Stock Broking Limited: Fine, sir. Thank you so much.

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