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National Stock Exchange of India Limited
Symbol: ABLBL

Sub.: Transcript of Q2 FY 26 Earnings Call of the Company

- Ref.: 1. Regulation 30 (read with Schedule III - Part A), of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations");**
2. Our intimation dated October 30, 2025 and November 4, 2025.

Dear Sir/ Madam,

Pursuant to the above referred, the transcript of the Q2 FY 26 Earnings Call held on November 5, 2025 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.ablbl.in.

Thanking you.

Sincerely,

For **Aditya Birla Lifestyle Brands Limited**

Rajeev Agrawal
Company Secretary & Compliance Officer
ACS18877

Encl.: As above

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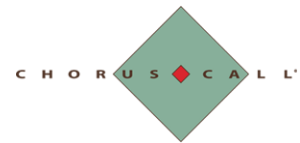
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“Aditya Birla Lifestyle Brands Limited
Q2 FY '26 Earnings Conference Call”
November 05, 2025



MANAGEMENT: **MR. ASHISH DIKSHIT – MANAGING DIRECTOR –
ADITYA BIRLA LIFESTYLE BRANDS LIMITED**
**MR. VISHAK KUMAR – DEPUTY MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – ADITYA BIRLA
LIFESTYLE BRANDS LIMITED**
**MR. DHARMENDRA LODHA – CHIEF FINANCIAL
OFFICER – ADITYA BIRLA LIFESTYLE BRANDS
LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the Second Quarter Earnings Conference Call of Aditya Birla Lifestyle Brands Limited. The call will begin with a brief discussion by the company's management on the Q2 FY26 performance followed by a question and answer session. We have with us today Mr. Ashish Dikshit, Managing Director ABLBL, Mr. Vishak Kumar, Deputy Managing Director and CEO ABLBL, Mr. Dharmendra Lodha, CFO ABLBL.

I want to thank the management team on behalf of all the participants for taking valuable time to be with us. I must remind you that today's discussion may include certain forward-looking statements and must be viewed therefore in conjunction with the risk that the company faces. Please restrict your questions to the quarter performance and to strategic questions only.

Housekeeping questions can be dealt separately with the IR team. With this, I hand the conference over to Mr. Dharmendra Lodha. Thank you. Over to you, Mr. Lodha.

Dharmendra Lodha:

Thank you. Good afternoon, everyone. Thank you for joining us today. I would like to welcome you all to the Q2 FY26 earnings call for Aditya Birla Lifestyle Brands Limited. As we reflect on the quarter, the operating environment presented a mix of challenges and opportunities. The early onset of the Pujo season provided a healthy boost to our positive demand.

However, the GST transition and localised issue in the East did moderate overall momentum to some extent. In this context, our team continued to drive focused execution, delivering yet another quarter of double-digit retail like-to-like growth for ABLBL. With all our brands performing strongly in this channel, this performance reflects the strength of our brand portfolio, the resilience of our business model, and the rigour of our execution, which are now translating into sustained profitable growth even in the dynamic marketing environment.

Now moving to the financial performance of our business, ABLBL delivered a steady performance in this quarter, with revenue growing to 4% Y-o-Y to INR2,038 crores, led by strong retail performance. Lifestyle Brands grew at 7% Y-o-Y, while Emerging Businesses segments saw a decline, mainly due to Forever 21 revenue in the base. While retail remained strong, other channels have now been calibrated to a more profitable base and are well positioned to deliver strong profitable growth in the coming quarters.

Consolidated EBITDA registered a healthy growth of 12%, given by top-line momentum in Lifestyle Brands and continued discipline in discounting and cost management, in a challenging market backdrop. In absolute terms, EBITDA stood at INR338 crores compared to INR301 crores in the same quarter last year.

EBITDA margin expanded by 125 bps, moving up from 15.3% Y-o-Y to INR25 crores, to 16.6% Y-o-Y in this quarter, reflecting improved operating efficiency. Consolidated PAT is at INR23 crores in this quarter, versus a loss of INR59 crores in the previous quarter, which had a one-

time exceptional loss of INR98 crores. PBT stood at INR31 crores, up from INR18 crores in the previous quarter.

Moving to the first half of the year, ABLBL revenue stood at INR3,878 crores, up 3% Y-o-Y. EBITDA grew at 7% in absolute terms to INR624 crores, versus INR584 crores in H1 last year, with margins improving by 50 bps to 16.1%, despite higher advertisement spending current year. PAT for H1 stood at INR48 crores.

During the quarter, we continued to expand our retail presence, adding 75-plus new stores in this quarter.

Our footprint now spans 4.7 million square feet across 785-plus cities and towns, with a network of around 3,250 stores, including 550-plus stores in smaller towns. Our retail presence continues to be a powerful growth driver. With the console edition exercise now complete and a strong foundation in place, we expect to see a steady net addition of stores going forward.

Turning to our lifestyle brands, retail like-to-like grew at 12% during the quarter, reflecting consistent performance across all months. This performance builds on the solid momentum of past five quarters, where LTL growth has remained very strong. The growth was fueled by a combination of product portfolio upgrades, impactful marketing campaigns, and continued enhancement to in-store experience, all of which deepened consumer engagement and strengthened brand salience.

Revenue for the quarter rose 7% Y-o-Y to INR1,754 crores, with an EBITDA margin of 19.3%. The portfolio further expanded its presence with 60-plus growth store additions during the period. While retail remained strong, secondary growth across other channels also continued to perform well, led by double-digit like-to-like growth in the departmental store business. Primary sales were temporarily impacted in September due to the GST transition.

We expect this segment to report strong growth in the coming quarters. Our emerging business portfolio, which includes Van Heusen Innerwear, American Eagle, and Reebok, now spreads over 350-plus stores. The network also delivered a robust 11% like-to-like growth during the quarter.

The strong retail momentum reflects the growth of strength of our brands and effectiveness of our product strategies. The overall portfolio revenue was impacted by a closure of Forever 21, which was part of the base year numbers. Profitability improved by 150 bps, mainly due to lower losses in Van Heusen Innerwear business.

Together, this positions the emerging business portfolio well-prepared for profitable and scalable growth in the coming quarters.

In summary, despite a measured consumer environment, we delivered steady growth, improved profitability, and broadened our presence across both established and emerging markets. Our lifestyle brands continue to demonstrate strong growth, while the emerging businesses well-positioned to become levers of profitable and meaningful growth in the coming quarters.

With a robust store network, an enhanced product portfolio, and continued digitization across operations and supply chain, we are well-equipped to capitalize on future opportunities. As we expand our product portfolio through innovation and our distribution into high potential markets, we remain confident in our ability to sustain profitable growth and create long-term value for all our stakeholders. We are now open to questions. Thank you.

Moderator: Thank you. The first question comes on the line of Gaurav Jogani with JM Financial. Please go ahead.

Gaurav Jogani: Hi, thank you for taking my question. So, my first question is with regards to the emerging business. If you can quantify the impact of Forever 21 in the base quarter, so that will help us to appreciate the growth for the remaining of the portfolio?

Vishak Kumar: Hi, Gaurav. So, there is both a top-line impact because of Forever 21 and a bottom-line impact. Maybe the overall growth would have been better by 1% if the Forever 21 business was not considered. Of course, the EBITDA impact is also there and that is also there in both the base and in this year, that loss is not there.

Gaurav Jogani: Sure. So, if I understand it right, given that if there is a 1% improvement, would that imply that the rest of the business would have also not grown very significantly in that context? I mean, because if you see the overall growth rates in that sense, it is declining by 10% on a Y-o-Y basis?

Vishak Kumar: Yes, fair conclusion. I think there are two, three points that I would like to make, Gaurav. One is that, look, if you were to look at the like-for-like sale in the emerging businesses, all of them together had double-digit like-to-like. So, between the innerwear business, Reebok business, American Eagle business, I think our weighted average was some 11%, 12% of like-to-like sales.

There was a couple of things which impacted our overall business. One is the transition with GST, where a lot of our wholesale partners had to reconfigure their purchase order systems, IT systems, and so on. So about half of September in that sense was lost for a large part of our business. In businesses with smaller base, it impacts you a little more. So, it had that effect as well.

There is also, specifically in Reebok, the issue of the pipeline inventory. We had reduced the inventory in some of the exclusive stores, which are buy-and-sell stores. So, that also shows the impact of that in the way we recognize revenue in the system. So, that's broadly the reason, which is why the 11%, 12% like-to-like doesn't translate to a similar growth in the overall business.

Gaurav Jogani: Okay, sure. That helps. And lastly, just one bookkeeping question, I would say, in that sense. If you see the depreciation and the interest amount, both have seen quite a sharp increase on a sequential basis. I mean, if you see the depreciation has increased from INR173 odd crores to INR209 crores odd in Q2 and likewise, the interest has also gone up. So, if you can help us out with the reasons for that?

Management: So, Gaurav, these are the new additions and stores and whatever leases we sign for the new stores, then I have to consider this as part of the depreciation and create the lease liability. That

is the impact. Otherwise, in finance terms, the finance cost has come down because we effectively manage our borrowings supported by the interest rate reduction.

Gaurav Jogani: Sure. So, sir, at least on going forward basis, can we consider this as a normalized number that we can take ahead?

Management: For depreciation and interest?

Gaurav Jogani: Yes.

Management: Right now, yes. But let us see how H2 pan out because generally H2 for this business is very good. So, the finance cost should come down.

Gaurav Jogani: Okay, sir. Thank you. That's all from my side.

Moderator: Thank you. Next question comes from the line of Archana Menon with Morgan Stanley. Please go ahead.

Archana Menon: Hi. Thank you so much for the opportunity. Just continuing from the earlier question on the emerging businesses. So, when we look at the quarters ahead, 3Q, 4Q, what will be the impact of Forever 21 in the base now?

Vishak Kumar: Not too much, Archana. It won't be very material on the base. We had started scaling down F21 last year itself from Q3. So, there would be some business impact maybe for Q3 as well. But by Q4, it would be insignificant. Maybe separately, I can give you exact numbers, but all I can say is it's scaling down even in the last year's base, it would continue to reduce.

Archana Menon: Understood. And on Reebok, what would your customer sales growth be like at an overall brand level and how should we be again thinking about some of the pipeline inventory related challenges for the coming quarter?

Vishak Kumar: No, thanks for asking that. I think 9% was our same store growth in retail stores. In department stores, it was 12%. So, I think at a consumer level, it would have been an overall aggregated 10% plus overall growth. So, in that sense, the brand is on a nice, steady growth path. A lot of the sourcing issues around BIS, all of that have been streamlined and it's on a good growth path. A lot of stores getting added as well. I think we added some 20 odd stores. So, all of that should keep building on the momentum for the brand.

Archana Menon: Got it. So, again, when we look at the quarters ahead, wouldn't it be fair to assume that this customer level growth also gets translated into reported revenues in the coming quarter?

Vishak Kumar: I mean, I would like to believe so. I can't say with definitiveness, but I would like to believe that yes, because this primary to secondary is not a continuous thing. So, you don't keep reducing the inventory in the store. So, just to give you a sense in all our other brands, Archana, we run an automatic replenishment system software.

We introduced that in Reebok last quarter or last to last quarter, but most of the impact was in last quarter. The software also, in that sense sharpens the inventory in each store. So, it did result

in sharpening of the overall inventory levels in every store. That streamlining is pretty much done, Archana.

Archana Menon: Understood. Very clear. Lastly, on the GST impact for ABLBL as a whole, how has the portfolio been impacted? I mean, what has been the percentage of the portfolio where you had to take slight changes and how have you sort of adjusted for that?

Vishak Kumar: There are two parts. One is, of course, the immediate impact, which you saw in Q2, which was more to do with the wholesale businesses, etcetera, the transition impact, waiting for IT configurations, purchase orders, et cetera. That is behind us. So, now it's more about how consumer takes on the revised prices.

So, look as far as we are concerned wherever there are reductions, we would pass that on to consumer whereas, there are increases we would do the accordingly. So, it now remains to be seen how consumers respond to this. A good test of that would be in the wedding season now, where a lot of our suits and blazers and all are at play right now. So, you'll have to see that part playing out in the next few quarters.

Archana Menon: Understood. And this last question, anything you'd like to share in terms of the demand trends you've seen during the festive, vis-a-vis the festive last quarter and any early signs in October and November for the festive?

Vishak Kumar: Early days. I think you would have seen through across the industry, it was an okay Diwali. And we will have to now see how the wedding season pans out. If you go by the calendar, it should be a decent wedding season. So, let's see. It's so far in line with market trends. So, let's see how that pans out over the next few weeks.

Archana Menon: Understood. Thank you so much.

Vishak Kumar: Thanks, Archana.

Moderator: Thank you. Next question comes from the line of Tejas Shah with Avendus Spark Institutional Equities. Please go ahead.

Tejas Shah: Hi, Vishak. Thanks for the opportunity. Vishak, this quarter was likely a complicated one for industry in terms of many signals got jumbled up, early puja, but at the same time GST led disruption and then extended monsoons. So, if you remove all the signals, how are you reading consumer sentiment and I'm not asking only for this month or this quarter because a lot of impetus from government has been put in to revive this. Are you seeing that at a broader level?

Vishak Kumar: Look, GST led thing, we'll have to see how that pans out. It's very early days to see how that pans out because in peak Diwali season, it's hard to figure out what was the impact. Also, when there is an early Diwali, it's a lot of effort to separate how much of it was Diwali impact versus how much of it was wedding impact.

So, you're right. It is getting more and more complex to decipher this. I can only say that one of the indexes for us is the suit and blazer sale that we do, which has now a lot of Diwali business.

Last year would have had Diwali and wedding. This year was probably more Diwali, less wedding.

So, we'll have to see if November, December pan out true to their wedding dates, then you would be able to say that yes, some of it worked out. We'll have to wait for that. But in general, if you're asking, look, has there been an overall greater consumption in the market? I would say not yet visible.

Tejas Shah:

Yes. Sir, there were two more interventions which government made before GST, which was at monetary policy easing level and then income tax cut level. So, what I was trying to understand that, is it safer to say that the first two measures have still not surfaced in terms of increased demand?

Because one of the national chains said that they saw at least exuberance in terms of footfalls picking up and they called out, if I remember correctly, did one of the best Diwali in last three years in terms of footfalls. At least conversion, they also did not say that is happening as much. So, I'm just trying to see at a broader level, should we say that the trends are changing or it is -- and then this is not, as I said, not GST led only, but all those measures which happened before as well.

Vishak Kumar:

So, let me say this, one clear indicator in the last couple of quarters is very strong growth in small-town India. And that is something which is -- which we saw in Q1 and we also saw that, in fact, it was a stronger like-to-like in small-town than even our very good like-to-like in urban centers. So, that is something which I can safely say, yes, this had an impact.

Other than that, like I said, I want to be a little guarded about Diwali because I need to make sure how much of it was Diwali versus how much of it is wedding. And once that result comes out, I'd be able to say with more confidence that yes, Diwali worked well. So, we'll have to see that result panning out over the next few weeks actually. Next six weeks, we'll get a good sense of that. I would say, yes, it was a decent Diwali, but how good was it? I'll be able to tell you only once we know how well the wedding season was.

Tejas Shah:

Yes. And any regional or so you spoke about Tier 2, Tier 3, but any regional nuances in terms of north-east, south-west, any divergence there?

Vishak Kumar:

Yes, and no. In the sense that, yes, north was fairly strong this time, okay. So, it did well. East was going well till the flood situation happened in some parts of West Bengal. Also, some of those disturbances in Guwahati and some parts of northeast that also had an adverse impact. So, it's been in that sense a bit of a mixed bag. So -- but beyond that, no other trend, Tejas, at a regional level.

Moderator:

Next question comes on the line of Shreya Baheti with Anand Rathi Institutional Equity.

Shreya Baheti:

Hello, sir. So, I just wanted to ask about the how -- like if we see Navratri was this time early. So, what was -- if we look at the festive impact, so, sir, how -- if you could just give a sense of how did Navratri impacted the Q2 sales for us? And also, I wanted to understand this 120 bps

EBITDA margin expansion. So, this was led by operating leverage, but did it also have the impact of a gross margin expansion in lifestyle and emerging brand segment?

Vishak Kumar:

Okay. So, two questions. One is you asked on Navratri. I think...

Shreya Baheti:

Yes, sir.

Vishak Kumar:

Navratri continued for us in the same pace as the overall like-for-like has been for the business. So, yes, that's the way it was. But like I was explaining to Tejas earlier, I think, we'll have to hold for a little more to see the impact of how the wedding season goes. So, yes, so that's one part, Shreya.

Shreya Baheti:

Okay.

Vishak Kumar:

You had another question that you had asked.

Shreya Baheti:

Yes, sir. Sir, it's regarding the EBITDA margin expansion.

Vishak Kumar:

Yes. So, it was a combination of multiple things, a lot of cost reduction initiatives, Shreya, which went through. Also, as you know, when you have strong like-for-likes, you get rent leverage. So, you would see that also impacting because most of our rent is with fixed costs, whichever is the company-owned store, etcetera, the fixed costs and rent gets spread across larger sales base.

So, that also impacts. Plus, there have been multiple cost reduction program initiatives, which have also helped to improve the margins, both in the emerging business, as well as in the lifestyle business.

Shreya Baheti:

Okay, sir. And sir, also, if you could tell what is the revenue growth for emerging brands excluding the Reebok business?

Vishak Kumar:

So, I thought I'd just explain that to Gaurav. Shreya, do you want me to repeat that? Yes.

Shreya Baheti:

Sir, basically, you said that 9% SSSG is for the retail business, for the Reebok segment.

Vishak Kumar:

Yes. Yes. Yes. So, if you look at it, it's broadly outside of Forever 21, which we phased out. There are three large pieces. There is Innerwear, there is Reebok, and there is American Eagle. I also tried explaining to Gaurav that, the overall 4% ABLBL would have been a little more than 5% if it had not been for F21.

Shreya Baheti:

Sir, that is understood. I just wanted to understand, like, how did Innerwear and American Eagle perform?

Vishak Kumar:

So, they were, again, like-for-like all double-digit growth businesses.

Shreya Baheti:

Yes.

Vishak Kumar:

Okay. But also similar to many other parts of business which are impacted by wholesale. So, there was the impact of, in all our calculations now we've done a July plus August separately

and a September separately. So, there was the impact of all of these transitions which impacted this also. In -- specifically, in the case of American Eagle, there was also some network rationalization which also impacted. But without that, that also -- that brand was also near, I think, 9% or 10% like-for-like on American Eagle as well.

Shreya Baheti: Okay, sir. And sir, yes, I understood. And, sir, just one last question on, sir, this working capital increase, sir, it must be due to the inventory build-up we did for festive...

Vishak Kumar: Yes.

Shreya Baheti: And wedding season.

Vishak Kumar: Yes. Yes.

Shreya Baheti: Sir, if we have to compare it to last year, September '24, so, sir, is it mainly due to seasonal and this is what is leading to increase in the debt also?

Vishak Kumar: So, yes, you're right. The season is earlier this time and when you're planning, you don't know how much consumer will respond early. So, you'd rather be safer when you're planning. So, a lot of our planning horizon would be built around early season inward. So, we did that. So, that's largely the reason for the delta in working capital and you will see that pretty much by the end of this quarter that would be back to the same levels pretty much, except for the growth and expansion in network which would carry more inventory.

There was also this additional factor of some of the supplies from Bangladesh were getting a little uncertain. So, we had to make sure that we -- and a lot of winter wear from there. So, we want to make sure that we took that in early to prevent any business loss when the winter season starts.

Shreya Baheti: Okay, sir. Sir, this will go down by the end of FY '26 and debt levels will also go down.

Vishak Kumar: Jagdish, you want to answer on the debt level?

Dharmendra Lodha: Yes.

Vishak Kumar: I can safely say this.

Dharmendra Lodha: So, Shreya, yes, definitely by end of FY '26, debt level should go down from this number.

Shreya Baheti: Sir, if you could quantify?

Dharmendra Lodha: So, we don't quantify the number, but this is directionally, it should go down from this number.

Moderator: Next question comes on the line of Devanshu Bansal with Emkay Global.

Devanshu Bansal: Hi, Vishak. Vishak, we have discussed about it in previous sessions, just for better understanding. This time around, the underlying consumer level growth trend has been about

10% in your, say, wholesale businesses, both in lifestyle and emerging segments. However, the reported numbers are lower because of primary getting affected because of GST transition.

But now that the channel is lighter, do we expect like this impact to sort of come back into higher growth in Q3? So, for better understanding, so there has been a 20% impact, right? So, 10% is the consumer level growth and we have reported minus 10%. So, do you expect this 20% to add on to that 10% underlying growth trend in coming quarters? Is this the right way to look at it?

Vishak Kumar:

So, Devanshu, just one extra factor I want to bring in, which I had not shared with you earlier, but which also impacted our overall growth in last quarter, which is a very aggressive target that we took on store renovations. So, just to give you a sense, we did 65 store renovations in just the last quarter. A typical renovation takes about 45 days to 60 days. So, it is almost like some 130 store months which are not there during the quarter. And that also has -- as you can do the calculation, that also has an impact on your overall growth.

That is, however, something that we will continue for the next few quarters. We want to upgrade more and more of our stores. Also, in a lot of stores, we are making them larger, making them, wherever agreements are coming to an end, we are taking larger spaces in the same locations, etcetera. So, all of that is, however, going to reflect in some flux in the business in terms of overall retail growth.

But to answer a larger question around should in the coming quarters more and more of like-to-like sales and secondary sales translate to overall growth, our simple answer is yes. There will be ups and downs across various quarters depending on seasons, weddings, all of that.

But by and large, directionally, and that is what we have said in earlier communication as well, I think double-digit growth is something that we should expect from these brands in the medium-term. Give or take a few quarters, plus or minus, but yes, by and large, that should be the direction.

Devanshu Bansal:

Got it. And these 130 stores that you are talking about that...

Vishak Kumar:

65 stores -- 65 stores, yes.

Devanshu Bansal:

65.

Vishak Kumar:

Devanshu. Yes.

Devanshu Bansal:

Yes. Sir, I was asking that, were these company-owned stores or franchisee stores?

Vishak Kumar:

Yes. So, these were company-owned stores. There would be some franchisee stores also. They would also renovate. So, that is a work in progress for us. When you have a 3,000 store network, and typically, we renovate once every five years to six years. So, there is that process of -- we have also created a lot of new exciting retail identities across our brands, which also reflect the way consumers like to shop today.

So, that is something which we will go through that process and we have done a lot of heavy lifting around that in the last few quarters. It is something which also results in stronger like-for-likes as you do the exercise. So, yes, so that has been keeping us on these numbers.

Devanshu Bansal: So, Vishal, my question was more into the wholesale channels, the e-commerce channels for lifestyle businesses and the emerging segments, right? So, where you mentioned there is a gap between primary and secondary. So, for these channels...

Vishak Kumar: Yes.

Devanshu Bansal: I was just checking whether the impact that has been there to the tune of 10% to 20% in terms of growth, that sort of adds back into the underlying growth trend, right, which is...

Vishak Kumar: Yes. Fair point. I think, no, I think, that is a fair point. As long as we continue doing these kind of secondary sales, that should translate to primary sales in quarters ahead. Absolutely.

Devanshu Bansal: Okay. Okay.

Vishak Kumar: Yes. That is a fair question.

Devanshu Bansal: Yes. Second, Vishak, I wanted to understand, you have been mentioning that there is a steady demand uptick across non-metro markets, right? So, and here, I guess, quite some time back, we sort of indicated that these markets, the experience was not so great from the below, I would say, Tier 2 markets, the experience was not so great.

So, what has actually helped to turn around these markets? Because from a competition perspective, we are seeing some challenges with some of the value retailers who are indicating that the industry as such is sort of not growing to the extent it is growing, but it is certainly to see that from a brand's portfolio, you are getting a good amount of traction. So, if you can just throw some lines there.

Vishak Kumar: Yes. So, yes, you are right. We define small towns as a Tier 4 kind of town. These are 1 lakh, 1.5 lakhs population towns. And you are right, they have been doing well for us. I would say a combination of two things. One, yes, market itself has picked up. Actually, it was -- if you saw these stores, these markets three years back, they were doing very well. Last, maybe before this quarter, few four quarters, five quarters were bad for smaller towns. Seems to be coming back.

I also think we have sharpened our ways of working in these towns, our methods of doing regional assortments, our methods of activating regionally, locally, etcetera. I think we have gotten better and better at managing this format of stores. So, it is a combination of both. The fact that there have been some tailwinds in the market and the fact that our ability to manage these stores has improved over time. So, there has been that learning curve as well.

Devanshu Bansal: Understood. Last one, bookkeeping question. Sir, I am noticing that there is a significant reduction in the rent expense reported by the company, which is sort of moving towards depreciation and higher interest cost. So, is there some change in model? Because rent was typically the commission that we used to franchise. So, are we sort of converting some of our

franchise stores to company-owned stores? How should we see this? Because there is a significant reduction in the rent expense.

Dharmendra Lodha: Yes. So, you are right. In one or two brands of ours, which Vishak explained to you in last quarter, we changed the model and now we are coming back. So, I think our business model continues to be franchisee-driven growth, except a few COCO stores also. But whatever actions we have taken, that is the impact of the variable rent, which you are seeing in the published result.

Devanshu Bansal: Can you explain as in what exactly has happened in which brand? It will help us appreciate that transition.

Vishak Kumar: Sorry, can you repeat that, Devanshu?

Devanshu Bansal: I am saying, can you help us better understand what exactly has the change happened and in which brand this change has happened?

Vishak Kumar: Look, two things, Devanshu. One is you must recognize that in the way India handles accounting of depreciation, it is front-loaded on depreciation. So, as you put up new stores, okay, you would see a higher charge in early years, while as you close earlier stores. So, that delta you would see in the EBIT last year to this year, probably you are referring to that.

Second piece which Jagdish is referring to is a few stores which would have got converted from franchisee to a COCO operation. These are tactical things that you would do time-to-time, depending on, if there are stores where a franchisee does not want to continue the business, he is moving abroad, he is trying to do something else or it is not viable enough for him, etcetera. So, there are time-to-time, you would then take on some of these stores. So, we would have done that as well. So, it is a combination of these two things which have resulted Devanshu in this.

Devanshu Bansal: Sure. But just the quantum was big, right? So, we were at a run rate of INR200 crores. So, now we are at INR150 crores. So, this suggests that there is a significant chunk that this conversion has happened, if I'm reading this correctly.

Vishak Kumar: No. I think you'll have to, the MIS numbers versus INDAS numbers, we'll have to give you a bridge to reconcile, we don't probably do that. Yes.

Dharmendra Lodha: It is only INR150 crores versus INR163 crores, INR13 crores delta, not a INR200 crores going down to INR150 crores. So, I do not know, I hope you are seeing the right one.

Devanshu Bansal: So I was referring from a quarterly perspective. So, in Q1, it was 190, which has moved to 150, but on a Y-o-Y basis, it is 13.

Vishak Kumar: Yes. So, INR163 crores to INR150 crores. Yes.

Devanshu Bansal: Okay. Sure.

Moderator: Thank you. Next question comes from the line of Kunal with Jefferies. Please go ahead.

Kunal: Hi, thank you for the opportunity. Most of my questions have been answered actually, but one question I had was on this entire GST transition. So, has it created any, let us say, troubles for you in the portfolio, especially around price points of, let us say, 2,500, because there is a very sharp jump from 5 to 18, right?

So, any impact that we should expect in the long, let us say, in the next few quarters on margins because of that? Maybe you have to take down products which are around those price points?

Vishak Kumar: Not gone from 5 to 18, it has gone from 12 to 18. So, there are parts.

Kunal: No, what I mean is the delta when you cross that threshold is now very steep, right?

Vishak Kumar: Yes. So, two, three things. One is, like I explained earlier, the transition challenge we had to go through, especially when you are dealing with wholesale partners, purchase order systems, all of that, you have to deal it. I think that is behind us.

We also had to do a lot of repricing in front end to transparently pass on the prices to consumers, etcetera. That's also been done and that has been executed. Now, as we move ahead, it is about how well do consumers accept these prices, wherever the prices have gone down, how much demand goes up because of that.

I think there is also another dimension of, like you rightly said, there is a very steep delta from when you go up about 2,500, technically actually 2,625. So, when you go up from that, it suddenly moves from 5 to 18. Product managers, pricing managers have to get more and more of products within that 5% GST.

So, some of those are things you do and yet, large part of our suits and blazers wedding business would now be 18%. So, there would be a 6% delta in that part of business. We will have to see how consumers respond to it.

Kunal: Understood. Understood. But let us say, fundamental, let's say, reduction in pricing that you have to take for anything which is priced between, let's say, 2,500 and 3,500 because suddenly it becomes a bit more uncompetitive.

Vishak Kumar: Yes, but Kunal, you win some, you lose some. On these things, there are parts of business where you should also expect that the entire 1,000 to 2,500, where it has gone down from 12 to 5, should also for each of our brands give those commensurate benefits. So, Yes, pricing cannot be completely formulaic. You will also have to build it with what consumers would expect from you and your brands. I think it is fine. I think we should be all right with that.

Kunal: Understood. Understood. That is clear. Second is, on the -- so we had quite a bit of on the growth of emerging brands. Just wanted to check, how do you expect profitability of this portfolio to shape up?

Because now we do not have that Forever 21, but we have not seen any meaningful improvement on the profitability front. I know two of the three parts of this portfolio are actually profitable. But how do you expect the overall portfolio to move, let us say, in a year or so from now?

- Vishak Kumar:** Yes, so we should keep getting better and better. And yet, I do want to tell you that, at least in the innerwear side of business, we will continue to invest for growth. And that is something which is going to be a very important part of our overall play in the portfolio. And we will grow very aggressively.
- So, in the order of priority, there would be a lot of impetus for growth. Of course, as we keep getting benefits of leverage, we will keep getting more and more efficient and profitability will keep improving. So, directionally, you should start seeing that. And yet, I do want to say that this is the part of business where there is a lot of headroom for growth, very, very, almost exponential headroom for growth. And we have to recognize that as well.
- Kunal:** Understood, understood. Very clear. Yes, that is all from my side.
- Vishak Kumar:** Thanks, Kunal.
- Moderator:** Thank you. Next question comes from the line of Sameer Gupta with IIFL. Please go ahead.
- Sameer Gupta:** Hi, am I audible?
- Vishak Kumar:** Yes, Sameer.
- Sameer Gupta:** Hey, good evening, everyone. Thanks for taking my question. Sorry about the goof up earlier during the call. So, first question is on innerwear. Now, the numbers that I am looking at, I assume there has been a large decline this quarter.
- There could, I mean, you already alluded that GST transitions would have led to, but just wondering for a category which is largely under INR2,500, why should a GST transition really affect this category? So, just a number, what kind of a decline have we seen in innerwear? If you could answer that?
- Vishak Kumar:** No, but Sameer, everything which is above 1,000, the GST rates have changed. So, we have to recognize that. But also, you know, it is not just about percentages, etcetera. There is a system development transition challenge that every business would have gone through.
- Whether it is your distributors, whether it is your key accounts, e-commerce partners, a whole lot of changes to be made into their ordering systems, which is, frankly, a fairly time-consuming process for any, actually, even for small size organizations, not only for large organizations, for everybody, there would have been the challenge of going through that.
- Regardless of whatever the, whether you have increased, decreased or, you know, the percentage GST is not so much the issue as it is the administrative part of going through that transition.
- Sameer Gupta:** Okay. But let us say, I would still assume that large part of innerwear will be below 1,000 only, at least at the final price sale. Would that transition then impact this part of the sale also?
- Vishak Kumar:** Yes, two things. One is that we also do a fair bit of athleisure, okay, which is all about 1,000, a lot of it is about 1,000, not all, but a lot of it is about 1,000. A lot of lingerie would come at 1,000 plus, okay? Then we also send it to wholesale in September, the winterwear first dispatches,

which is all about, definitely about 1,000, and in many cases, about 2,500 as well. So all of those would impact, Sameer.

Sameer Gupta:

Got it, got it. So see, broadly, I wanted to understand is that among the three emerging business segments that you have, innerwear is a segment which has been struggling for some time. Lifestyle brands have come back, others are performing, but this segment continues to be under pressure. One, the latest quarter, if you just adjust for the GST noise, is there any sign of improvement? And two, what is the path to both growth recovery here and profitability here?

Vishak Kumar:

Fair question. Three, four data points for you. One is that across our network, across our brands and formats, the highest like-for-like sale was in innerwear retail. So we have some 110, 115 exclusive innerwear stores, which should have had an average 20% plus like-for-like. So that tells you the strength of the brand with consumers which is there.

From a wholesale perspective, we are also going through, you know, I think we've said in the last few quarters also, we are also doing a lot of inventory corrections, bringing down our overall base of inventory, etcetera, which has had its challenges beyond what I said to you about GST, but it's only making us even more robust, even more faster replenishment, etcetera.

The fact is also that the overall market continues to be soft, right? So it is also not, there are not too many tailwinds in this part of business. So all considered, I think the biggest pluses that I would take from the quarter is the fact that continued very aggressive. Q1 was also very strong like-for-like on innerwear retail. Q2 continues to be very strong like-for-like on innerwear retail. I think that momentum is very good.

Second is we've also been able to strengthen the shape of business, being able to manage costs and supply chain costs, all of that sharper, which has resulted in a better shape of EBITDA for this part of business. I think the biggest challenge now is going to be how do we create exponential sales growth, putting together a lot of things in place so that, Sameer, that is something we can put into action.

Sameer Gupta:

And the path on profitability? So just trying to understand what is the problem area? Is it a low gross margin because of the higher trade spends? Is it markdowns in inventory that you have to take on time to time? Is it higher marketing? Where is the really, you know, the line item which is causing it to be a loss making segment for many, many years now?

Vishak Kumar:

So I think this is a business which we are playing for a very large stake. So this is something that we want to be very large and meaningful. So there are deeper investments into making this happen. You're right. It's a sharp margin business. And I think we'll have to recognize that. It's also a business where the components of the business change significantly.

What you know, the kind of share that athleisure had in this business to what is now it's evolved into. I think we all have to recognize and go with that. But here is a business which also has a lot of consumer stickiness. So as we keep selling every pair of Van Heusen innerwear to consumer, you have more and more sticky consumers.

So it is something that you do one consumer at a time in that sense of building a stronger and stronger base of consumers. It is habit forming. So as you sell to more and more consumers, you build a stronger franchise for the brand. So it has to be done patiently. Sameer, we'll have to go through this.

Sameer Gupta: Got it. Fair enough. Just a bookkeeping question from me. Part of your portfolio, this is overall lifestyle plus emerging included, which is below this sweet price point of now INR2,625 for you? Hello.

Vishak Kumar: It's very hard to explain this off the cuff. Maybe we can put this analysis together because there are various slices and dices and we do this usually at a single brand level. So each brand tracks this separately. Maybe we can share this separately with you. Yes.

Sameer Gupta: Vishak, no problem. I will come back in the queue. Thanks for the opportunity, Vishak. Thanks.

Moderator: Thank you. Next question comes from the line of Sucrit D Patil with Eyesight Fintrade Pvt. Ltd. Please go ahead.

Sucrit D Patil: Good afternoon. I have a broader question on ABL's long-term direction. As more fashion and lifestyle brands expand across India, what is Aditya Birla Lifestyle doing to build a strong edge, not just through store count or celebrity tie-ups, but something deeper like a way of working or thinking that grows over time and makes the company hard to replace?

Vishak Kumar: So you're saying what are our strategic strengths or differentiators? I think many, Sucrit. If you refer to our strategy deck that we shared some time back, you would see that. But it's also a very deep knowledge of markets, different segments, consumers, etcetera., which in that sense gives us our strengths.

It's also a very deep understanding of retailing. We run 3,000 plus stores, continue to do that, build very strong equations with various partners in the ecosystem. We work very closely with various business partners across franchisees, malls, department stores, mills, and so on.

We also have a very strong creation ecosystem with a very strong manufacturing base, a creation, designing creation base, product creation base. So, there are multiple things which give us that, a very tech-enabled organization. So it will be difficult for me to explain this over an earnings call, but I think a lot of things which we believe will give us a right to win in the market.

Sucrit D Patil: Okay, fair enough. My second question is to Mr. Lodha. As retail expansion and customer experiences keep on rising, how are you planning to protect the margins? And are there any smart internal methods like sourcing or any store design that helps you to keep the quality high without hurting the profits, even if they don't show up on the numbers?

Just trying to understand how you balance brand experience with keeping margins strong over the time. Yes, sir. Thank you.

Vishak Kumar: So, Sucrit, if you look at our type of business, you know, our biggest drivers of profitability is actually rent leverage and sales per square foot. There is some like-to-like is probably one of the

best drivers of profitability and that's why you see margins expanding over time. So that is something which has worked well for us.

Of course, there are continuous cost programs around capex per square foot reduction, around various such things, but I would say this bigger lever for margin expansion would be built around greater retail productivity, greater retail throughput. So that's what we will continue to drive. Of course, in each brand, the capex per square foot, cost plans, etcetera., would be very different, very contextual.

Let's say a Louis Philippe store cost per square foot would be very different from, let's say, a Peter England cost per square foot and so on. So it would also depend on what the brand's position, its equation with consumer, etcetera, is.

Moderator: Thank you. Mr. Patil, please rejoin the queue for more questions. Next question comes on the line of Kunal Bhatia with Dalal & Broacha. Please go ahead.

Kunal Bhatia: Yes, hello, sir. Thanks for the opportunity. Sir, from the overall call, one does understand that this quarter around, as you mentioned, Diwali was okay, plus there was a GST transition. You've also mentioned that the smaller towns are doing well vis-a-vis the metro. So broadly, what's the pain point here?

Meaning, on an overall basis, despite the government impetus, whether it be through income tax savings or through GST, is it the competition which is dragging the sales or there is something else which is also impacting the overall environment? Because your commentary, even in case of wedding, was, we hope so, that the wedding season should be good. So just wanted to get a broader perspective here sir.

Vishak Kumar: So very nicely summarized, Kunal. But here's what I would say. There are two parts. One is external market, and one is what we do internally. Markets have been how they've been. You would have heard commentaries from various players in the market.

I think for us, our task, we know what is -- what needs to be done. We have to continue to expand aggressively. You will start seeing that, you know, you've already seen that our overall network has significantly increased in the last quarter. That has to start bearing fruit. We'll continue to expand aggressively. Our e-commerce business, you would have seen in the overall growth, is something which we could do better in.

We have to find our own methods and recipes by which we make that part of business stronger. There are multiple growth opportunities, regardless of how markets are, which we have to keep chasing to make sure that we continue to grow and we continue to be strong. And as tailwinds come back to market, that should only help us to grow even further.

But Yes, right now, is it fair, easy for me to say, yes, markets are great? I think we're all seeing out of the window to see how the markets are. But separately, Kunal, we have to do what we have to do to keep growing in the business.

- Kunal Bhatia:** Sir, but at this point in time, what would be the most crucial pinpoint for you or the industry as a whole?
- Vishak Kumar:** Well, I wouldn't call it pain point. You would want more consumption in the market. That is something which everybody in the industry would seek by. I wouldn't call it a pain point, but that is something which everybody would want, more consumption.
- Kunal Bhatia:** Okay, fair enough, sir. Thank you.
- Moderator:** Thank you. Next question comes from the line of Devanshu Bansal with Emkay Global. Please go ahead.
- Devanshu Bansal:** Yes, hi. Thanks for the follow-up opportunity. Just one book keeping explanation. So in Q4, we did call out that Forever 21 had about INR50 crores loss in the EBITDA level, a one off. And then INR50 crores was in the interest expense, right, for FY25. I just wanted to check in which quarters was this sort of recognized last year?
- Management:** In H1, primarily.
- Devanshu Bansal:** So H2 basis...
- Management:** Yes, except the small number, rest all is accounted in the H1 part.
- Devanshu Bansal:** Okay. And, sir, one request, so we have made some reporting changes, but we have not provided comparable numbers even for the last year, right? So it would be very helpful if you could provide that because making projections on only one or two quarters of data becomes very difficult.
- Management:** Sure. Sure.
- Devanshu Bansal:** If you could provide the comparable numbers at least for last four quarters of FY25, it will be very helpful.
- Management:** Yes, Yes, Devanshu, you know, it was part of the consolidated ABFRL, so we are splitting up, but, you know, we'll provide you separately.
- Devanshu Bansal:** Okay, sir.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of the management, we thank all participants for joining us. In case of any further queries, you may please get in touch with Mr. Amit Dwivedi. You may now disconnect your lines. Thank you.