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Aditya Birla Fashion and Retail MD Ashish Dikshit.

Fashion and lifestyle retailer Aditya Birla Fashion and Retail Ltd on Wednesday reported 9.15% growth in revenue and 79% jump in quarterly net profit. The Kumar Mangalam Birla-promoted retail company, which has two business divisions, Madura and Pantaloons, also witnessed moderate growth in same-store sales. In an interview, Ashish Dikshit, who took over as the managing director last year, spoke about softening consumer demand, the ongoing changes within its fast fashion business, as well as the company's plans to add close to 400 stores over the course of the next one year. Edited excerpts:

How do you rate your performance, especially for Pantaloons?

FY19 has been a pretty impressive year in terms of recovery of our growth trajectory, which had slowed in the past.

Our overall revenues have grown by nearly 13%, our profit has grown, margins have improved across segments. All in all, a good performance on a full-year basis. Having said that, the fourth quarter was a bit softer, mostly in Pantaloons, wherein same-store sales growth affected quarterly sales. This quarter, in fact, was a bit of an aberration. A couple of factors—the end of season sale in value fashion is getting pulled more and more into the December month, the shifting of sales is, therefore, happening to Q3 now. Otherwise, the underlying market has not been very good, it has been average. The combination of these two factors has resulted in sales growth impact.

mint INTERVIEW

Durables, consumer goods and auto companies have also reported a consumption slowdown, especially in rural markets. Does that reflect in your business?

Certainly, there is an element of that as well, because the stress in the economy is not just limited to rural demand, we have seen that happening on the consumer durables side and, therefore, to some extent, I would say the discretionary demand categories will definitely get affected in times like these. We are experiencing that phase. Fortunately, because the overall penetration in our category is still low, there is a continuous upgradation from unbranded apparel to branded. That tends to offset some of the decline, because new consumers are coming in; but it slows the pace of growth.

Last year, you had planned to scale down fast fashion brand, Forever 21, to cut losses. Has that worked?

We have done a fairly steep correction in the business in terms of resizing the stores and reviewing the business model. It is a paying good dividend. Our losses for the year are half of what we had last year. I think by the end of next year, we should be able to turn this business around in terms of profitability. We will look at a more aggressive expansion only after that.

Will you expand in the coming year?

Our distribution plans are pretty aggressive. In Pantaloons, we want to add between 60 and 70 stores, and other brands put together, that is, brands under the Madura segment (such as Louis Philippe, Van Heusen, Allen Solly, Ralph Lauren) we want to add between 300 and 350 stores by next year. So it is an aggressive expansion strategy that must be backed by adequate brand investment. That's the trajectory we are on.

How are online sales contributing to your business?

We are seeing very strong growth in online sales for our own portfolio. For Madura's branded business about 7% of the share is coming from online, from practically nothing a few years ago. It is growing at 35-40% year-on-year, which is a pretty strong performance. These are still early days, the channel is not as large as it could be. However, perhaps in the next few years (it will achieve scale), and the challenge is how to build full price sales in those channels, because a lot of sales are still driven by promotion and discounting.