Aditya Birla Nuvo overhauls Pantaloons to boost margins

By Mihir Dalal
mihir.d@livemint.com

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early a year after buying Pantaloons Fashion and Retail Ltd from Eishore Bhatnagar, the firm is overhauling its product mix by cutting external brands and launching more of its own brands.

The retailer now aims to get up to 75% of its sales through owned brands within the next two years from 50-55% earlier, chief executive Shital Mehta said in an interview on Saturday. Pantaloons has set up a design team of 35 people hired from ABNL’s Madura Garments, which owns brands such as Louis Philippe and Allen Solly, as well as the National Institute of Fashion Technology.

Most retailers in India employ only a few people for product design since they get a majority of their business from other brands, and not owned labels.

“We will not have private labels; we will create and offer exclusive brands. Our proposition is going to be: exclusive brands, fashionable products and great value. We’ve created a full-fledged design studio to help create strong design aesthetics. Our advertising will also shift towards showcasing our brands,” Mehta said.

ABNL completed its majority purchase of Pantaloons from Future Group in April last year. Pantaloons, which owns brands including honey, Rig and Anabelle, is one of the oldest organized retailers in India and competes with the likes of Shoppers Stop Ltd and Lifestyle International Pvt. Ltd.

It had been weighed by high debt under Bhatnagar and its image as a value retailer suffered as rivals such as Max Fashions offered better products at similar or lower prices and Shoppers Stop and Lifestyle International continued to be the preferred retailers for so-called premium brands.

Under ABNL, Pantaloons’ changing product mix and higher spending on delivering more fashionable products has also resulted in prices increasing by 6-8%, on average. “Prices have moved up but the objective is that customers should feel they’re getting a better deal than they were earlier. We have upgraded products, fashionability and the mix, earlier, what we were selling at ₹100, others would have been selling it at ₹75. Now what we’re selling at ₹110, others may be selling at ₹140-150,” Mehta said.

He said the improvement in the company’s products would boost sales of full-price merchandise to 70% from 55-60% earlier (the rest comes from sales of discounted products). That, and more sales of higher-priced products and own brands would improve margins, Mehta said.

Pantaloons reported a loss of ₹117 crore on total sales of ₹1,251 crore for the nine months ended 31 December. After increasing sales by an average 25-30% for several years, many apparel retailers have seen growth slow to less than 25% over the past 21 months or so as high prices, hurt demand and economic growth slowed to less than 5% for seven straight quarters.

Like other retailers Pantaloons, which added Madura brands such as Allen Solly and Peter England after its takeover by ABNL in April, is increasing its offering in women’s and kids apparel to tap the growing demand for these products at organized retailers. “From a strategy perspective, we’re chasing women across categories—ethnic wear, fusion wear and western wear,” Mehta said. “We will also enter into handbags and accessories through our brands.”