

INTERVIEW: **THOMAS VARGHESE**

CHIEF EXECUTIVE OFFICER, ADITYA BIRLA RETAIL

We'll increase share of private labels to 30%

The \$29-billion Aditya Birla Group ventured into the retail segment in 2007, through its arm Aditya Birla Retail (ABRL), with the acquisition of supermarket chain Trinethra Super Retail. ABRL operates supermarkets and hypermarkets, under the brand name more . and more . MEGASTORE, respectively. Thomas Varghese, its CEO, talks about ABRL's expansion plans, private label business, growth expectations and the challenge of attrition in retail, in an interview with FE's Sohini Mitter.

What is ABRL's current retail presence in the country? How will it expand?

We have 530 supermarkets and 9 hypermarkets across 137 cities, covering a retail space of about 1.9 million square feet, which will increase to 3 million square feet by FY12, with the launch of 10-12 hypermarkets and 125-175 supermarkets pan-India.

In FY10, as a part of our cleansing process, we shut down 100 stores that were difficult to operate due to poor locations, high rents and bad catchment areas. But FY12-13 will see our actual growth story, as we focus on aggressive expansion, and also go in for multiple formats.

You've saturated Hyderabad with nearly 100 stores. Why is saturation important?

We've saturated 3 cities, Hyderabad, Bangalore and Chennai which have 103, 69 and 68 stores respectively. We'll still grow in these cities but at a limited pace. Saturation is crucial in the retail business. When we look at profitability, it's always around a cluster. The cluster normally revolves around distribution centres. We have 14-15 distribution centres, spread across the state. With saturation, you get the best out of your supply chain which is your biggest oper-



ating cost. We focused in the south due to its cost advantage.

How has ABRL grown revenue-wise? What are its long-term growth plans?

In FY10 we clocked revenues of Rs 1,430 crore and grew by 20% to Rs

1,720 crore in FY11. We hope to continue growing by 20-25% and become a \$2.5 billion entity by 2017-18. Our same store sales growth on a y-o-y basis has been 10-12%. About 400 stores have attained profitability. We'll become Ebidta-positive by FY13 and PAT-positive by FY15. Our stores have a healthy conversion rate of 65% in hypermarkets and 90% in supermarkets. New stores have become profitable within 15-18 months of their opening.

What percentage of revenue comes from private labels?

Currently, 19% of our revenues come from private labels. We expect them to contribute 30% to our revenues in the next three years. Every retailer is focusing on private labels; it's the easiest way to gain margins. The objective is to provide quality products at attractive price points to customers. Our main target segment

is FMCG, where 4% of the revenue comes from our own brands like Feasters, Kitchen's Promise and Best of India. We've launched other home & personal care brands like Enriche, Pestex, Paradise and Germex. Our private labels are present across 30-40 categories.

How do you combat attrition in the retail sector?

Attrition is the biggest challenge in the retail industry. Most jobs in this sector offer entry-level salaries. Fatigue sets in early and people jump jobs. It's very difficult to curb attrition, which is about 6-7% per month. ABRL has 9,000 employees. On a yearly basis, around 5,400 employees need to be hired for replenishment alone. Besides, when expansion happens, we need to hire more depending on the number of stores we launch. Salary hikes of 10-12% is expected across the board in 2011 but that won't put an end to attrition.