

# Aditya Birla Fashion and Retail

Estimate changes

TP change

Rating change



**CMP: INR256**

**TP: INR285 (+12%)**

**Neutral**

	ABFRL IN
Bloomberg Equity Shares (m)	1140
M.Cap.(INRb)/(USDb)	291.3 / 3.4
52-Week Range (INR)	365 / 198
1, 6, 12 Rel. Per (%)	-6/-14/7
12M Avg Val (INR M)	1620

## Financials & Valuations (INR b)

INRb	FY25E	FY26E	FY27E
Sales	148.9	158.4	171.0
EBITDA	17.6	19.7	22.7
Adj. PAT	-5.8	-0.7	-0.7
EBITDA Margin (%)	11.8	12.4	13.2
Adj. EPS (INR)	-4.8	-0.6	-0.6
BV/Sh. (INR)	83.1	82.3	81.7

## Ratios

Net D:E	0.3	0.2	0.2
RoE (%)	-8.9	-0.9	-0.8
RoCE (%)	1.0	2.1	2.9
Payout (%)	0.0	0.0	0.0

## Valuations

P/E (x)	-53.3	-420.3	-456.2
EV/EBITDA (x)	19.6	17.3	14.8
EV/Sales (x)	2.3	2.2	2.0
Div. Yield (%)	0.0	0.0	0.0

## Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	49.2	49.3	55.5
DII	14.6	14.8	17.0
FII	18.8	20.1	14.7
Others	17.4	15.9	12.9

FII Includes depository receipts

## GM expansion drives beat; near-term focus on demerger

- Aditya Birla Fashion and Retail (ABFRL)'s revenue growth remained muted at ~3% YoY (in line) in 3QFY25. The growth was driven mainly by Ethnic and TMRW (to be part of demerged ABFRL), whereas growth remained muted in Lifestyle Brands (robust LTL offset by weak wholesale) and Pantaloons (shift in Pujó dates).
- EBITDA was up 15% YoY (11% beat), driven by broad-based improvement in profitability, with ~150bp YoY expansion in consolidated EBITDA margin.
- Recently, ABFRL successfully raised USD490m (INR42.4b) through QIP and preferential issuance to the promoter and Fidelity group, resulting in the complete deleveraging of the company.
- Management expects to complete the demerger in the next 2-3 months. After the demerger, ABLBL will start with a net debt of INR7b, while demerged ABFRL will have a net cash of INR13b.
- We raise our FY25-26E EBITDA by 6-7%, primarily led by better profitability in demerged ABFRL, while Earnings improve sharply on account of lower interest costs after the recent fundraise.
- We build in a CAGR of 7%/16% in revenue/EBITDA over FY24-27E for ABFRL, with demerged ABFRL to record better ~11%/26% revenue/EBITDA CAGRs.
- We value ABFRL on the SOTP basis. We assign EV/EBITDA multiple of 14x to both ABLBL and Pantaloons business and EV/sales of 1x to other businesses of ABFRL (demerged) on FY27E. **We reiterate our Neutral rating with a TP of INR285.**

## Muted revenue growth; GM expansion drives beat

- Consol. revenue grew 3% YoY (in line)** to INR43.1b, driven by growth in the ethnic and TMRW portfolios.
  - Lifestyle revenue remained flat YoY (2% miss) as 12% LTL growth in the retail channel was offset by weaker primary sales in wholesale and other channels.
  - Pantaloons revenue declined ~2% YoY due to the shift in festive dates (Pujó in 2Q) and continued store closures.
  - Ethnic revenue grew 7% YoY, driven by robust growth in designer-led brands amid strong festive and wedding seasons.
  - TMRW revenue surged 26% YoY.
- Gross profit grew 6% YoY to INR25.1b (2% beat)** as margins expanded ~170bp YoY to 58.2% (120bp beat).
- EBITDA rose 15% YoY (11% beat)** to INR6.3b, led by higher gross margin.
  - EBITDA margin expanded ~150bp YoY to 14.8% (~150bp beat).
  - Margin expansion was broad-based across Lifestyle, Pantaloons, and Ethnic segments.**
- However, ABFRL continued to report a net loss, with a loss of INR0.4b (though better than INR1.1b loss YoY and our estimate of ~INR1b loss).

### Key highlights from the management interaction

- **Demand:** The overall consumption environment remained subdued in 3Q with inconsistent footfalls. Demand was robust in the festive and wedding season, though it tapered through rest of the period.
- **Debt:** The overall net debt at the end of Jan'25 (post QIP) stood at INR18b, which should come down further after the INR23.8b preferential issuances. Management indicated that ABLBL (Lifestyle Brands) is likely to start FY26 with a net debt of INR7b, while the demerged entity (ABFRL) will likely start with a cash balance of INR13b.
- **Demerger:** The demerger process is progressing well and is expected to be completed in the next 2-3 months. The final NCLT hearing is scheduled in the third week of Mar'25.
- **Lifestyle Brands:** Management indicated that lifestyle brands performed well during the festive and wedding period, which led to robust LTL retail growth. The growth was impacted by weaker primary sales in the wholesale channel (also impacted by a strategic shift by one of the top large-format retail partners for ABLBL). Its focus on reducing markdowns and consolidation of unprofitable stores led to margin improvements. The company plans to add 300 stores in the next 12 months, primarily in top cities, with a focus on opening larger stores.
- **Priorities for demerged ABFRL:** Management is likely to focus on scaling up value fashion (through Style Up) and Ethnics (through Tasva). It believes that INR13b is enough cash cover to support the growth plans for demerged ABFRL as the Pantaloons and ethnic segments (excl. Tasva) can self-fund the growth and there will be a separate fundraise for the digital segment (TMRW). Management expects demerged ABFRL to be a cash-generating company in the next three years.

### Valuation and view

- The company is currently undergoing a demerger process, with the scaled-up cash-generating businesses (Lifestyle brands) to be transferred to a new entity, ABLBL. The demerged ABFRL will house the Pantaloons, value fashion (Style Up), Ethnic, digital-first brands (TMRW) and Luxury Retail.
- In the last few years, ABFRL has invested in multiple new businesses, with a long tail of businesses that are presently loss-making or yet to stabilize. While the debt concerns have been addressed with the recent fundraise. We believe that profitably scaling up the value fashion and ethnic wear and turning around the newly set up digital-first brands could be a bumpy ride. The inclusion of TCNS in the Ethnic portfolio may further accentuate near-term profitability risks.
- We raise our FY25-26E EBITDA by 6-7%, primarily led by better profitability in demerged ABFRL, while earnings improve sharply on account of lower interest costs after the recent fundraise.
- We build in a CAGR of 7%/16% in revenue/EBITDA over FY24-27E for ABFRL, with demerged ABFRL to record better ~11%/26% revenue/EBITDA CAGRs.
- We value ABFRL on the SOTP basis. We assign EV/EBITDA multiple of 14x to both ABLBL and Pantaloons business and EV/sales of 1x to other businesses of ABFRL (demerged) on FY27E. **We reiterate our Neutral rating with a TP of INR285.**
- Our SoTP implies an enterprise value of INR203b (or ~INR166/share) for ABLBL and INR165b (or ~INR135/share) for the demerged ABFRL business.

## Consolidated - Quarterly earnings summary

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Revenue</b>	<b>31,961</b>	<b>32,264</b>	<b>41,667</b>	<b>34,067</b>	<b>34,278</b>	<b>36,439</b>	<b>43,047</b>	<b>35,210</b>	<b>1,39,959</b>	<b>1,48,943</b>	<b>43,081</b>	<b>-0.1</b>
YoY Change (%)	11.2	4.9	16.1	18.3	7.3	12.9	3.3	3.4	12.7	6.4	3.4	
Total Expenditure	29,037	29,031	36,134	31,230	30,694	32,825	36,698	31,214	1,25,433	1,31,362	37,369	<b>-1.8</b>
<b>EBITDA</b>	<b>2,923</b>	<b>3,233</b>	<b>5,533</b>	<b>2,837</b>	<b>3,584</b>	<b>3,613</b>	<b>6,349</b>	<b>3,995</b>	<b>14,526</b>	<b>17,581</b>	<b>5,711</b>	<b>11.2</b>
Change, YoY (%)	-37.6	-18.5	27.0	47.1	22.6	11.8	14.8	40.8	-2.7	21.0	3.2	
Depreciation	3,670	3,888	4,441	4,554	4,359	4,610	4,723	4,944	16,552	18,636	4,841	
Interest	1,873	2,084	2,454	2,355	2,195	2,500	2,470	1,296	8,766	8,469	2,700	
Other Income	603	457	441	875	478	516	571	895	2,376	2,459	567	
<b>PBT before EO expense</b>	<b>-2,017</b>	<b>-2,281</b>	<b>-922</b>	<b>-3,197</b>	<b>-2,493</b>	<b>-2,982</b>	<b>-273</b>	<b>-1,351</b>	<b>-8,417</b>	<b>-7,065</b>	<b>-1,262</b>	<b>-78.3</b>
Extra-Ord expense	0	0	0	0	0	-231	0	0	0	-231	0	
Share in JV	4	-5	73	56	-3	-32	-89	-5	128	-130	30	
<b>PBT</b>	<b>-2,017</b>	<b>-2,281</b>	<b>-922</b>	<b>-3,197</b>	<b>-2,493</b>	<b>-2,750</b>	<b>-273</b>	<b>-1,351</b>	<b>-8,417</b>	<b>-6,834</b>	<b>-1,262</b>	<b>-78.3</b>
Tax	-397	-282	227	-478	-346	-636	61	-296	-930	-1,219	-269	
Rate (%)	19.7	12.4	-24.6	14.9	13.9	23.1	-22.2	21.9	11.0	17.8	21.3	
<b>Reported PAT</b>	<b>-1,616</b>	<b>-2,003</b>	<b>-1,076</b>	<b>-2,664</b>	<b>-2,149</b>	<b>-2,147</b>	<b>-424</b>	<b>-1,060</b>	<b>-7,359</b>	<b>-5,745</b>	<b>-963</b>	<b>-56.0</b>
<b>Adj PAT</b>	<b>-1,616</b>	<b>-2,003</b>	<b>-1,076</b>	<b>-2,664</b>	<b>-2,149</b>	<b>-1,957</b>	<b>-424</b>	<b>-1,060</b>	<b>-7,359</b>	<b>-5,555</b>	<b>-963</b>	<b>-56.0</b>
YoY Change (%)	-272.3	-765.4	-1,713.2	35.3	33.0	-2.3	-60.6	-60.2	1,009.8	-24.5	-10.5	

E: MOSL Estimates

## Exhibit 1: SOTP-based valuation on Mar'27E basis

INR m	ABLBL	Demerged ABFRL			ABFRL
		Pantaloons	Others	Total	
EBITDA	14,644	8,968			
Revenue		40,777			
EV/EBITDA	14.0x	14x			
EV/Sales		1x			
<b>EV</b>	<b>2,02,813</b>	<b>1,24,201</b>	<b>40,777</b>	<b>1,64,977</b>	<b>367,790</b>
less: debt					20,547
<b>Equity</b>					<b>347,244</b>
NOS (m)					1,220
<b>TP (INR/share)</b>					<b>285</b>
CMP (INR/share)					256
Upside (%)					12%

Source: MOFSL, Company

## Segment-wise results summary

### ■ **Proposed ABLBL (Lifestyle, Reebok, others) –**

- Revenue was **up 1% YoY (vs. 4% YoY in 2Q)** as improved retail LTL growth in Lifestyle brands was offset by weaker primary sales in wholesale and other channels.
- However, EBITDA **grew 7% YoY (vs. 3% YoY decline in 2Q)** as margin expanded ~90bp YoY, driven by a 40bp YoY margin expansion in Lifestyle brands and lower losses in other businesses.

### ■ **Lifestyle:**

- Revenue was flat YoY (vs. +3% YoY in 2Q) at INR18.2b (42% of consol. revenue), as robust **12% LTL growth in retail channels** was offset by lower primary sales in the wholesale and e-commerce channels.
- ✓ Retail channel sales were up 11% YoY (+3% YoY in 2Q) at INR10.7b, driven by ~12% LTL growth, as productivity improvement (SPSF up ~14% YoY) was offset by unprofitable store closures (store count declined 6% YoY).
- ✓ ABLBL closed net 36 lifestyle brand stores during the quarter, bringing the total store count to 2,533. However, management plans to open ~300 stores in the next 12 months across the ABLBL portfolio.
- ✓ The wholesale channel declined ~13% YoY (vs. -11% YoY in 2Q) to INR2.9b due to lower primary sales.
- ✓ Other channels (e-com, exports) also declined ~11% YoY (vs. ~18% YoY growth in 2Q) to INR4.5b.
- EBITDA grew 2% YoY to INR3.6b as margin expanded ~40bp YoY to 19.6%, led by a better channel mix, tighter cost control, and inventory management.

### ■ **Other Businesses (Reebok, Innerwear, American Eagle):**

- Revenue grew 5% YoY (vs. 7% YoY in 2Q) to INR3.3b (~8% of consol revenue).
- Reebok continued its growth momentum with double-digit sales growth, while Van Heusen innerwear grew for the second consecutive quarter.
- Operating loss stood at INR10m (vs. INR170m operating loss YoY).

### ■ **ABFRL demerged (Pantaloons, Ethnic, TMRW, Others) –**

- Revenue was up 3% YoY as the revenue decline in Pantaloons was offset by robust growth in TMRW, Ethnic, and Luxury Retail.
- EBITDA was up 25% YoY, led by a broad-based improvement in profitability across Pantaloons, Ethnic, and Luxury Retail segments.

### ■ **Pantaloons (including Style Up):**

- Revenue declined ~2% YoY to INR13b (~30% of consol revenue) due to weaker L2L in East (shift in Pujo dates).
- ✓ ABFRL added four Style Up stores, bringing the total store count to 39 stores, while five Pantaloons stores were closed during 3Q (40+ store closures in the last 12 months).
- EBITDA grew 8% YoY to INR2.5b as margin expanded 180bp YoY to 19.3%, driven by gross margin expansions.

### ■ **Ethnic wear segment: Robust growth with notable profitability improvement**

- Revenue grew 7% YoY to INR5.9b (~14% of consol revenue), led by strong growth in the wedding and festive period.
- ✓ **TCNS** revenue declined 20%+ YoY due to network consolidation (100+ store closures in the last 12 months) and a focus on profitable partners. Retail LTL grew ~6%, while TCNS' EBITDA remained positive for the second successive quarter.
- ✓ **Tasva** revenue grew 50% YoY (18% retail LTL) and ended the quarter with 67 stores (one net store addition QoQ). Tasva posted positive EBITDA in 3Q.

- ✓ **Jaypore** sales were up 14% YoY, led by network expansions and higher realizations.
- ✓ **Masaba** sales doubled YoY and ended the quarter with 19 stores (two net additions in 3Q).
- ✓ **S&N** posted 24% YoY growth and ended the quarter with 20 stores (flat QoQ).
- The segment reported a 2.7x YoY jump in EBITDA, with margins expanding ~1160bp YoY to 19.2%, led by strong profitability in designer wear brands and narrowed losses in Tasva and TCNS.
- **TMRW** revenue grew 26% YoY, though operating loss surged to INR620b (vs. INR490b YoY). According to the company, TMRW's annual run rate (ARR) now stands at INR10b.
- **Luxury Retail** grew 13% YoY, driven by 10% LTL growth and 10% YoY growth in e-commerce channels.

**Exhibit 2: Quarterly performance (INR m)**

INRm	Q3FY24	Q2FY25	Q3FY25	YoY%	QoQ%	Q3FY25E	v/s est (%)
<b>Revenue</b>	<b>41,667</b>	<b>36,439</b>	<b>43,047</b>	<b>3.3</b>	<b>18.1</b>	<b>43,081</b>	<b>-0.1</b>
Raw Material cost	18,127	15,862	17,990	-0.8	13.4	18,525	-2.9
<b>Gross Profit</b>	<b>23,541</b>	<b>20,577</b>	<b>25,057</b>	<b>6.4</b>	<b>21.8</b>	<b>24,556</b>	<b>2.0</b>
<b>Gross margin (%)</b>	<b>56.5</b>	<b>56.5</b>	<b>58.2</b>	<b>171bps</b>	<b>174bps</b>	<b>57.0</b>	<b>121bps</b>
Employee Costs	4,876	5,189	5,596	14.8	7.8	5,170	8.2
Rent	2,877	2,125	2,965	3.0	39.5	2,240	32.3
SGA Expenses	10,255	9,650	10,147	-1.1	5.2	11,435	-11.3
<b>EBITDA</b>	<b>5,533</b>	<b>3,613</b>	<b>6,349</b>	<b>14.8</b>	<b>75.7</b>	<b>5,711</b>	<b>11.2</b>
<b>EBITDA margin (%)</b>	<b>13.3</b>	<b>9.9</b>	<b>14.7</b>	<b>147bps</b>	<b>483bps</b>	<b>13.3</b>	<b>149bps</b>
Depreciation and amortization	4,441	4,610	4,723	6.4	2.4	4,841	-2.4
EBIT	1,092	-997	1,626	48.9	-263.2	871	-86.7
<b>EBIT margin (%)</b>	<b>2.6</b>	<b>-2.7</b>	<b>3.8</b>	<b>116bps</b>	<b>651bps</b>	<b>2.0</b>	<b>176bps</b>
Finance Costs	2,454	2,500	2,470	0.7	-1.2	2,700	-8.5
Other income	441	516	571	29.5	10.7	567	0.6
Exceptional item	0	231	0	0.0	0.0	0	NA
<b>Profit before Tax</b>	<b>-922</b>	<b>-2,750</b>	<b>-273</b>	<b>-70.3</b>	<b>-90.1</b>	<b>-1,262</b>	<b>78.3</b>
Tax	227	-636	61	-73.2	NM	-269	NM
<b>Tax rate (%)</b>	<b>-24.6</b>	<b>23.1</b>	<b>-22.2</b>	<b>NM</b>	<b>NM</b>	<b>21.3</b>	<b>NM</b>
Share in JV	72.5	-32.3	-89.4	NM	NM	30.0	NM
<b>Profit after Tax</b>	<b>-1,076</b>	<b>-2,147</b>	<b>-424</b>	<b>-60.6</b>	<b>-80.3</b>	<b>-963</b>	<b>56.0</b>
<b>Adj Profit after Tax</b>	<b>-1,076</b>	<b>-2,147</b>	<b>-424</b>	<b>-60.6</b>	<b>-80.3</b>	<b>-963</b>	<b>56.0</b>

Source: MOFSL, Company

**Exhibit 2: Segment wise performance**

Consolidated segment breakup	Q3FY24	Q2FY25	Q3FY25	YoY%	QoQ%	Q3FY25E	v/s est (%)
<b>Revenue</b>							
<b>ABLBL</b>	<b>21,320</b>	<b>19,750</b>	<b>21,510</b>	<b>0.9</b>	<b>8.9</b>	<b>22,272</b>	<b>-3.4</b>
<b>Lifestyle</b>	<b>18,140</b>	<b>16,360</b>	<b>18,170</b>	<b>0.2</b>	<b>11.1</b>	<b>18,523</b>	<b>-1.9</b>
Other businesses in ABLBL	3,160	3,390	3,340	5.7	-1.5	3,749	-10.9
<b>Demerged ABFRL</b>	<b>21,540</b>	<b>18,380</b>	<b>22,180</b>	<b>3.0</b>	<b>20.7</b>	<b>20,808</b>	<b>6.6</b>
<b>Pantaloons and Style Up</b>	<b>13,340</b>	<b>10,820</b>	<b>13,050</b>	<b>-2.2</b>	<b>20.6</b>	<b>13,291</b>	<b>-1.8</b>
Ethnic	5,500	4,540	5,880	6.9	29.5	5,775	1.8
TMRW	1,480	1,750	1,870	26.4	6.9	1,776	5.3
Other businesses in ABFRL	1,220	1,260	1,380	13.1	9.5	1,298	6.3
Elimination	-1,173	-1,681	-643	-45.2	-61.8	-1,332	-51.7
<b>Consolidated revenue</b>	<b>41,667</b>	<b>36,439</b>	<b>43,047</b>	<b>3.3</b>	<b>18.1</b>	<b>43,081</b>	<b>-0.1</b>
<b>EBITDA</b>							
<b>ABLBL</b>	<b>3,320</b>	<b>3,020</b>	<b>3,550</b>	<b>6.9</b>	<b>17.5</b>	<b>3,755</b>	<b>-5.5</b>
<b>Lifestyle</b>	<b>3,490</b>	<b>3,020</b>	<b>3,570</b>	<b>2.3</b>	<b>18.2</b>	<b>3,705</b>	<b>-3.6</b>
Other businesses in ABLBL	-170	10	-10	-94.1	NM	50	-120.0
<b>Demerged ABFRL</b>	<b>2,560</b>	<b>1,500</b>	<b>3,200</b>	<b>25.0</b>	<b>113.3</b>	<b>2,476</b>	<b>29.2</b>
<b>Pantaloons and Style Up</b>	<b>2,340</b>	<b>1,620</b>	<b>2,520</b>	<b>7.7</b>	<b>55.6</b>	<b>2,127</b>	<b>18.5</b>
Ethnic	420	-140	1,130	169.0	-907.1	404	179.5
TMRW	-490	-380	-620	26.5	63.2	-444	39.6
Other businesses in ABFRL	300	400	180	NM	-55.0	390	-53.8
Elimination	-357	-917	-421	17.8	-54.1	-520	-19.0
<b>Consolidated EBITDA</b>	<b>5,533</b>	<b>3,613</b>	<b>6,349</b>	<b>14.8</b>	<b>75.7</b>	<b>5,711</b>	<b>11.2</b>
<b>EBITDA Margin (%)</b>							
<b>ABLBL</b>	15.6	15.3	16.5	93bps	121bps	16.9	-35bps
<b>Lifestyle</b>	19.2	18.5	19.6	41bps	119bps	20.0	-35bps
Other biz in ABLBL	-5.4	0.3	-0.3	508bps	-59bps	1.3	-163bps
<b>Demerged ABFRL</b>	11.9	8.2	14.4	254bps	627bps	11.9	253bps
<b>Pantaloons and Style Up</b>	17.5	15.0	19.3	177bps	434bps	16.0	331bps
Ethnic	7.6	-3.1	19.2	1158bps	2230bps	7.0	1222bps
TMRW	-33.1	-21.7	-33.2	-5bps	-1144bps	-25.0	-816bps
Others in ABFRL	24.6	31.7	13.0	-1155bps	-1870bps	30.0	-1696bps
<b>Consolidated EBITDA</b>	13.3	9.9	14.7	147bps	483bps	13.3	149bps

Source: MOFSL, Company

**Detailed takeaways from earnings call**

- **Demand:** The overall consumption environment remained subdued in 3Q with inconsistent footfalls. Demand was robust in the festive and wedding season, however demand tapered through rest of the period.
- **Debt:** The overall net debt at the end of Jan'25 (post QIP) stood at INR18b, which should come down further after the INR23.8b preferential issuances. Management indicated that ABLBL (Lifestyle Brands) is likely to start FY26 with a net debt of INR7b, while the demerged entity (ABFRL) will likely start with a cash balance of INR13b.
- **Demerger:** The demerger process is progressing well and is expected to be completed in the next 2-3 month. The final NCLT hearing is scheduled in the third week of Mar'25.
- **Priorities for demerged ABFRL:** Management is likely to focus on scaling up value fashion (through Style Up) and Ethnics (through Tasva). It believes that INR13b is enough cash cover to support the growth plans for demerged ABFRL, as the Pantaloons and ethnic segments (excl. Tasva) can self-fund the growth, and there will be a separate fundraise for digital segment (TMRW). Management expects demerged ABFRL to be a cash-generating company in the next three years.

- **Lifestyle brands:** Management indicated that lifestyle brands performed well during the festive and wedding period, which drove robust LTL retail growth. The growth was impacted by weaker primary sales in the wholesale channel (also impacted by a strategic shift by one of the top large-format retail partners for ABLBL). Its focus on reducing markdowns and consolidation of unprofitable stores led to margin improvements. The company plans to add 300 stores in the next 12 months, primarily in top cities with a focus on opening larger stores.
  - **Pantaloons:** Pantaloons will cater to the mid-market customer segment through a mix of private labels and external brands and focus on metro, mini-metro and tier 1 cities. The company has exited ~40 Pantaloons stores over last one year in tier-2 and smaller markets while focusing on improving its customer proposition through improved merchandize and boosting profitability. Management indicated that the company will close a few more stores in 4Q and expects to open ~15-20 stores in FY26, depending on the performance and market conditions.
  - **Value retail:** Management indicated that Style Up would operate in the value fashion space. The company has recently launched the beauty segment and relaunched the lingerie segment. The company is looking to increase its store count to 50 by end-FY25 (from ~39 stores currently) and then at least double the store count in FY26.
  - **Ethnic:** The festive and wedding season helped the Ethnic segment deliver a robust performance. The company took a one-time channel correction in TCNS, which diluted the segment's performance. Excluding TCNS, the growth in ethnic portfolio stood at 39%. The profitability also saw strong improvement, driven by designer-led brands, such as Sabyasachi, Tarun Tahiliani, House of Masaba, and Shantnu and Nikhil, which grew by 41% YoY.
  - **Tasva:** The brand delivered LTL of 18% and turned EBITDA positive in 3Q. After the fundraise, management is eyeing aggressive store expansion with ~40-50 Tasva store openings in FY26 (vs. ~70 stores currently).
  - **TMRW:** The segment is growing organically at 25-30% for the last few quarters, and management expects to maintain a similar growth rate. ABFRL has so far invested ~INR7-8b (~INR10b including debt) in the digital-first opportunity. Further, it is looking at a separate fundraise for TMRW in the next 9-12 months. After the fundraise, management could look at acquisitions to boost TMRW portfolio by entering new categories.
  - **Innerwear:** Revenue from Van Heusen innerwear business currently stands at ~INR5b. The segment can achieve single-digit EBITDA margin at a revenue run rate of ~INR7-7.5b.
- Others:**
- Management expects ABLBL to become a net cash company within the next 2-2.5 years.
  - The Collective and international brands continue to deliver robust margin. Margin for other segments (Luxury retail) under demerged ABFRL was impacted by investments in Galerie Lafayette.

**Exhibit 3: Summary of our estimate changes**

	FY25E	FY26E	FY27E
<b>ABLBL revenue (INR m)</b>			
Old	79,544	84,846	90,485
Actual/New	78,352	81,357	86,185
Change (%)	-1.5	-4.1	-4.8
<b>Demerged ABFRL revenue (INR m)</b>			
Old	74,624	83,096	92,635
Actual/New	74,410	81,129	89,250
Change (%)	-0.3	-2.4	-3.7
<b>Consol. Revenue (INR m)</b>			
Old	1,49,543	1,62,903	1,77,626
Actual/New	1,48,943	1,58,424	1,71,049
Change (%)	-0.4	-2.7	-3.7
<b>Gross Profit (INR m)</b>			
Old	85,817	94,221	1,03,054
Actual/New	84,789	91,106	99,966
Change (%)	-1.2	-3.3	-3.0
<b>ABLBL EBITDA (INR m)</b>			
Old	12,735	14,175	15,553
Actual/New	12,597	13,393	14,644
Change (%)	-1.1	-5.5	-5.8
<b>Demerged ABFRL EBITDA (INR m)</b>			
Old	6,131	6,926	8,035
Actual/New	7,544	8,708	10,322
Change (%)	23.1	25.7	28.5
<b>Consol. EBITDA (INR m)</b>			
Old	16,495	18,612	20,805
Actual/New	17,581	19,703	22,657
Change (%)	6.6	5.9	8.9
<b>Consol. EBITDA margin (%)</b>			
Old	11.0	11.4	11.7
Actual/New	11.8	12.4	13.2
Change (bp)	77	101	153
<b>Consol. Net Profit (INR m)</b>			
Old	-7,776	-6,604	-6,346
Actual/New	-5,846	-742	-684
Change (%)	24.8	88.8	89.2

Source: Company, MOFSL



Story in charts

Exhibit 4: Consol. revenue up 3% YoY led by ethnic and TMRW

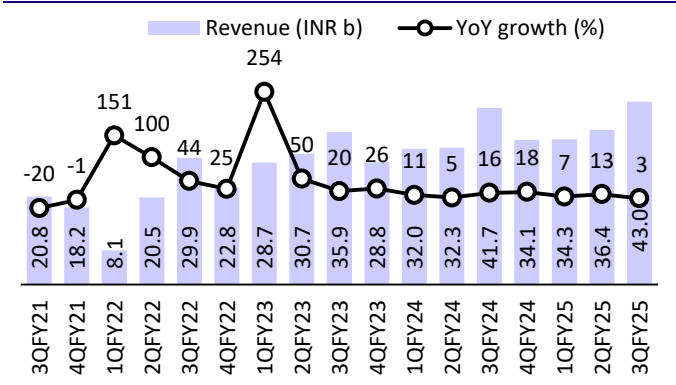


Exhibit 5: Gross margin expanded ~170bp YoY

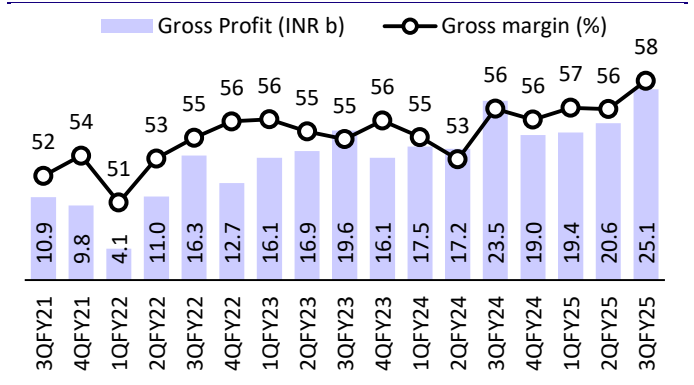


Exhibit 6: EBITDA margin improved ~150bp YoY led by higher gross margin

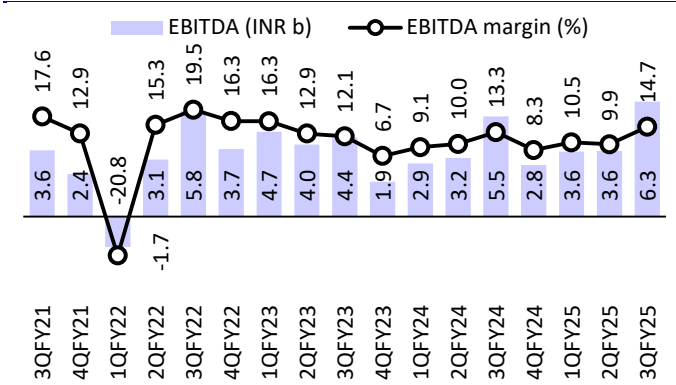


Exhibit 7: ABFRL continues to report net loss

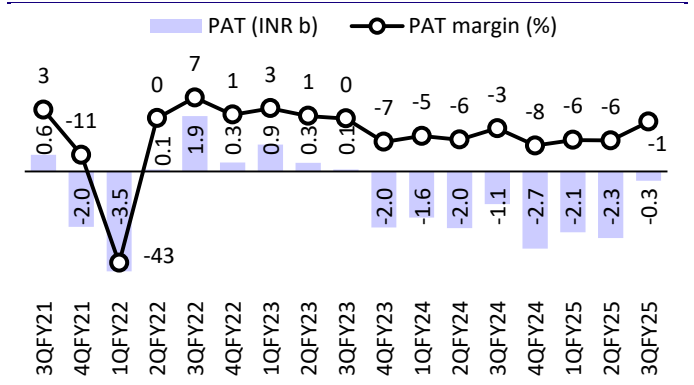
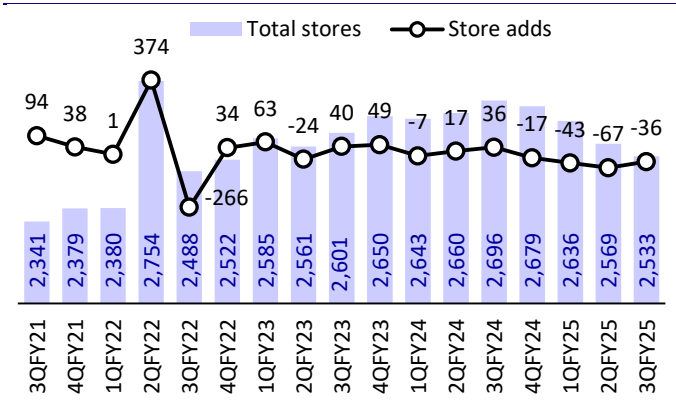
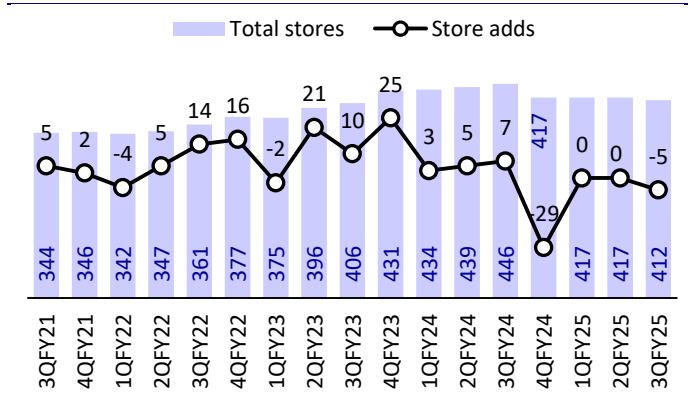


Exhibit 8: Brand stores – net 36 stores were closed in 3Q



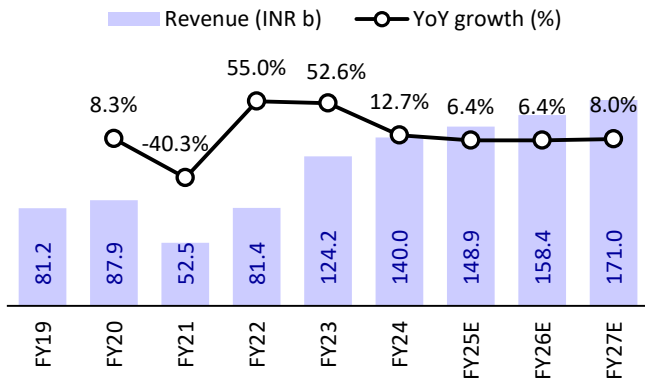
Source: Company, MOFSL

Exhibit 9: Pantaloons saw net 5 store closures QoQ

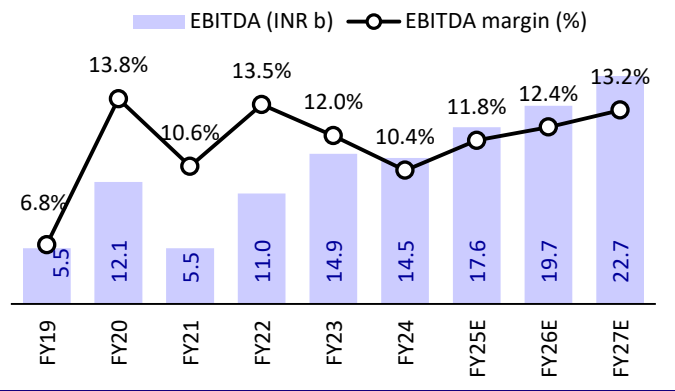


Source: Company, MOFSL

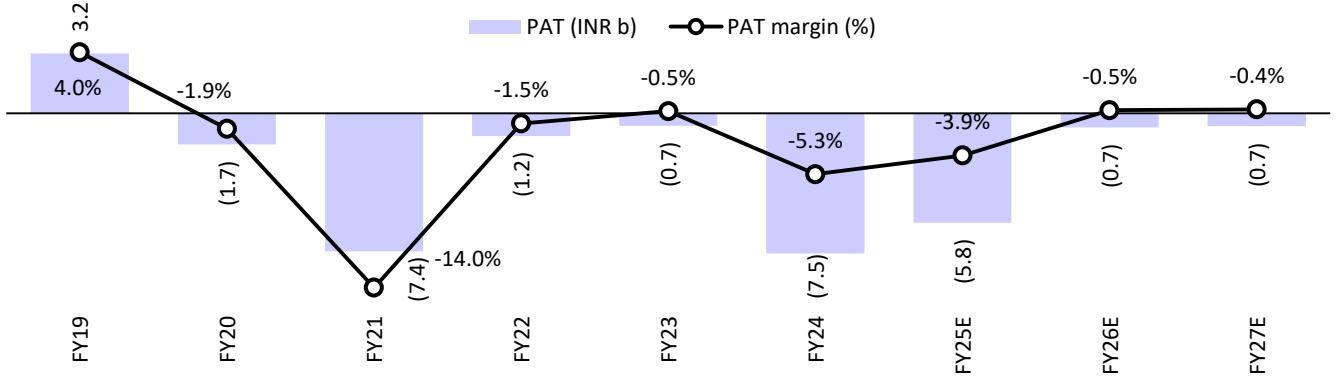
**Exhibit 10: Revenue to clock 7% CAGR over FY24-27E**



**Exhibit 11: EBITDA to post a CAGR of 16% over FY24-27E**



**Exhibit 12: Net loss to decline over FY24-27E**



## Financials and valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>87,879</b>	<b>52,489</b>	<b>81,362</b>	<b>1,24,179</b>	<b>1,39,959</b>	<b>1,48,943</b>	<b>1,58,424</b>	<b>1,71,049</b>
Change (%)	8.3	-40.3	55.0	52.6	12.7	6.4	6.4	8.0
Raw Materials	42,242	25,630	37,202	55,520	62,672	64,154	67,319	71,083
Employees Cost	10,805	8,654	11,585	15,634	18,263	20,554	21,546	22,664
Rent	4,870	107	3,932	8,970	9,705	9,905	10,298	10,605
Other Expenses	17,843	12,552	17,644	29,120	34,793	36,749	39,559	44,040
<b>Total Expenditure</b>	<b>75,760</b>	<b>46,942</b>	<b>70,363</b>	<b>1,09,243</b>	<b>1,25,433</b>	<b>1,31,362</b>	<b>1,38,721</b>	<b>1,48,391</b>
% of Sales	86.2	89.4	86.5	88.0	89.6	88.2	87.6	86.8
<b>EBITDA</b>	<b>12,118</b>	<b>5,548</b>	<b>10,999</b>	<b>14,936</b>	<b>14,526</b>	<b>17,581</b>	<b>19,703</b>	<b>22,657</b>
Margin (%)	13.8	10.6	13.5	12.0	10.4	11.8	12.4	13.2
Depreciation	8,853	9,628	9,970	12,270	16,552	18,636	19,384	20,949
<b>EBIT</b>	<b>3,265</b>	<b>-4,080</b>	<b>1,029</b>	<b>2,666</b>	<b>-2,026</b>	<b>-1,055</b>	<b>320</b>	<b>1,708</b>
Int. and Finance Charges	4,247	5,026	3,507	4,724	8,766	8,469	3,785	5,149
Other Income	653	734	1,006	1,165	2,376	2,459	2,508	2,558
<b>PBT bef. EO Exp.</b>	<b>-329</b>	<b>-8,372</b>	<b>-1,473</b>	<b>-893</b>	<b>-8,416</b>	<b>-7,065</b>	<b>-957</b>	<b>-882</b>
EO Items	0	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>-329</b>	<b>-8,372</b>	<b>-1,473</b>	<b>-893</b>	<b>-8,416</b>	<b>-7,065</b>	<b>-957</b>	<b>-882</b>
Total Tax	1,321	-1,015	-266	-230	-930	-1,219	-215	-198
Tax Rate (%)	-401.7	12.1	18.0	25.7	11.0	17.3	22.5	22.5
<b>Reported PAT</b>	<b>-1,650</b>	<b>-7,357</b>	<b>-1,207</b>	<b>-663</b>	<b>-7,487</b>	<b>-5,846</b>	<b>-742</b>	<b>-684</b>
<b>Adjusted PAT</b>	<b>-1,650</b>	<b>-7,357</b>	<b>-1,207</b>	<b>-663</b>	<b>-7,487</b>	<b>-5,846</b>	<b>-742</b>	<b>-684</b>
Change (%)	-151.4	345.8	-83.6	-45.1	1,029.0	-21.9	-87.3	-7.9
Margin (%)	-1.9	-14.0	-1.5	-0.5	-5.3	-3.9	-0.5	-0.4

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	7,740	9,151	9,383	9,488	10,150	12,202	12,202	12,202
Total Reserves	3,138	17,612	18,502	23,972	37,060	72,117	71,376	70,692
<b>Net Worth</b>	<b>10,878</b>	<b>26,763</b>	<b>27,885</b>	<b>33,460</b>	<b>47,210</b>	<b>84,319</b>	<b>83,577</b>	<b>82,894</b>
Total Loans	48,706	35,998	41,004	65,729	94,514	55,508	60,952	76,346
Lease Liability	25,018	24,634	28,681	42,673	52,462	38,456	53,900	74,294
Deferred Tax Liabilities	-1,950	-3,339	-3,805	-4,085	-6,572	-6,572	-6,572	-6,572
<b>Capital Employed</b>	<b>57,634</b>	<b>59,421</b>	<b>65,085</b>	<b>95,104</b>	<b>1,35,152</b>	<b>1,33,255</b>	<b>1,37,957</b>	<b>1,52,668</b>
Gross Block	63,457	75,981	92,395	1,21,329	1,66,214	1,65,098	1,79,500	1,92,927
Less: Accum. Deprn.	14,022	21,851	31,821	37,772	47,585	66,221	85,605	1,06,554
<b>Net Fixed Assets</b>	<b>49,435</b>	<b>54,130</b>	<b>60,573</b>	<b>83,557</b>	<b>1,18,629</b>	<b>98,877</b>	<b>93,896</b>	<b>86,373</b>
Capital WIP	441	376	1,032	2,037	1,711	1,711	1,711	1,711
<b>Total Investments</b>	<b>142</b>	<b>4,198</b>	<b>6,860</b>	<b>2,702</b>	<b>9,885</b>	<b>9,885</b>	<b>9,885</b>	<b>9,885</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>45,688</b>	<b>39,671</b>	<b>51,796</b>	<b>78,031</b>	<b>87,314</b>	<b>1,05,620</b>	<b>1,20,576</b>	<b>1,49,831</b>
Inventory	23,668	18,470	29,296	42,144	45,053	46,927	49,914	53,892
Account Receivables	8,405	7,305	7,564	8,864	12,788	12,242	13,021	14,059
Cash and Bank Balance	2,669	2,618	1,205	7,011	4,624	21,967	31,598	53,762
Loans and Advances	10,946	11,279	13,731	20,012	24,849	24,484	26,042	28,118
<b>Curr. Liability &amp; Prov.</b>	<b>38,072</b>	<b>38,954</b>	<b>55,176</b>	<b>71,224</b>	<b>82,387</b>	<b>82,837</b>	<b>88,110</b>	<b>95,131</b>
Account Payables	22,899	23,734	34,106	38,461	41,357	44,887	47,744	51,549
Other Current Liabilities	13,284	13,342	19,041	30,313	38,298	34,685	36,893	39,833
Provisions	1,888	1,878	2,030	2,450	2,732	3,265	3,472	3,749
<b>Net Current Assets</b>	<b>7,616</b>	<b>717</b>	<b>-3,380</b>	<b>6,807</b>	<b>4,928</b>	<b>22,783</b>	<b>32,466</b>	<b>54,700</b>
<b>Appl. of Funds</b>	<b>57,634</b>	<b>59,421</b>	<b>65,085</b>	<b>95,104</b>	<b>1,35,152</b>	<b>1,33,255</b>	<b>1,37,957</b>	<b>1,52,668</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>-1.4</b>	<b>-6.0</b>	<b>-1.0</b>	<b>-0.5</b>	<b>-6.1</b>	<b>-4.8</b>	<b>-0.6</b>	<b>-0.6</b>
Cash EPS	9.3	2.5	9.3	12.2	8.9	12.6	18.4	20.0
BV/Share	14.1	29.2	29.7	35.3	46.5	83.1	82.3	81.7
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>								
P/E	-189.0	-42.4	-258.3	-470.2	-41.7	-53.3	-420.3	-456.2
Cash P/E	27.5	103.0	27.4	20.9	28.6	20.3	13.9	12.8
P/BV	18.2	8.7	8.6	7.2	5.5	3.1	3.1	3.1
EV/Sales	2.8	5.1	3.4	2.4	2.5	2.3	2.2	2.0
EV/EBITDA	20.1	48.2	25.4	20.2	24.0	19.6	17.3	14.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	2.5	9.8	6.7	-2.2	-9.9	15.9	4.5	7.7
<b>Return Ratios (%)</b>								
RoE	-13.1	-39.1	-4.4	-2.2	-18.6	-8.9	-0.9	-0.8
RoCE	9.6	-5.7	3.3	4.8	0.3	1.0	2.1	2.9
RoIC	8.5	-7.7	1.9	3.8	-2.0	-1.0	0.3	1.9
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.4	0.7	0.9	1.0	0.8	0.9	0.9	0.9
Asset Turnover (x)	1.5	0.9	1.3	1.3	1.0	1.1	1.1	1.1
Inventory (Days)	98	128	131	124	117	115	115	115
Debtor (Days)	35	51	34	26	33	30	30	30
Creditor (Days)	95	165	153	113	108	110	110	110
<b>Leverage Ratio (x)</b>								
Current Ratio	1.2	1.0	0.9	1.1	1.1	1.3	1.4	1.6
Interest Cover Ratio	0.8	-0.8	0.3	0.6	-0.2	-0.1	0.1	0.3
Net Debt/Equity	4.2	1.1	1.2	1.7	1.7	0.3	0.2	0.2

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	-329	-8,375	-1,449	-842	-8,289	-7,065	-957	-882
Depreciation	8,853	9,628	9,970	12,270	16,552	18,636	19,384	20,949
Interest & Finance Charges	4,220	5,004	3,484	4,724	8,766	8,469	3,785	5,149
Direct Taxes Paid	-65	-28	-164	25	-431	1,219	215	198
(Inc)/Dec in WC	-6,126	8,528	241	-9,118	-1,673	-512	-52	-69
<b>CF from Operations</b>	<b>6,552</b>	<b>14,756</b>	<b>12,082</b>	<b>7,058</b>	<b>14,926</b>	<b>20,747</b>	<b>22,375</b>	<b>25,345</b>
Others	-112	-3,718	-2,577	-696	-1,512	-2,459	-2,508	-2,558
<b>CF from Operating incl EO</b>	<b>6,440</b>	<b>11,038</b>	<b>9,505</b>	<b>6,362</b>	<b>13,414</b>	<b>18,288</b>	<b>19,867</b>	<b>22,787</b>
(Inc)/Dec in FA	-4,485	-2,101	-3,185	-8,465	-23,496	1,116	-14,403	-13,426
Lease Payments			0	-8,910	-9,955	-18,455	12,175	0
<b>Free Cash Flow</b>	<b>1,955</b>	<b>8,937</b>	<b>6,321</b>	<b>-2,103</b>	<b>-10,082</b>	<b>19,404</b>	<b>5,464</b>	<b>9,360</b>
(Pur)/Sale of Investments	-1,027	-6,475	-2,422	4,490	-6,683	0	0	0
Others	5	181	116	186	347	2,543	2,592	2,642
<b>CF from Investments</b>	<b>-5,508</b>	<b>-8,396</b>	<b>-5,491</b>	<b>-12,699</b>	<b>-39,788</b>	<b>-14,796</b>	<b>364</b>	<b>-10,784</b>
Issue of Shares	72	22,388	2,476	7,728	14,323	42,956	0	0
Inc/(Dec) in Debt	10,742	-16,547	960	9,763	17,910	-25,000	-10,000	-5,000
Interest Paid	-4,243	-4,759	-3,097	-5,327	-8,162	-4,021	-516	-567
Others	-5,407	-3,774	-5,609	0	0	0	0	15,813
<b>CF from Fin. Activity</b>	<b>1,165</b>	<b>-2,692</b>	<b>-5,270</b>	<b>12,165</b>	<b>24,071</b>	<b>13,935</b>	<b>-10,516</b>	<b>10,246</b>
<b>Inc/Dec of Cash</b>	<b>2,098</b>	<b>-50</b>	<b>-1,256</b>	<b>5,828</b>	<b>-2,303</b>	<b>17,427</b>	<b>9,715</b>	<b>22,248</b>
Opening Balance	571	2,668	2,461	1,182	6,927	4,540	21,883	31,514
<b>Closing Balance</b>	<b>2,669</b>	<b>2,618</b>	<b>1,205</b>	<b>7,011</b>	<b>4,624</b>	<b>21,967</b>	<b>31,598</b>	<b>53,762</b>
less: Other Bank Balance	1	156	23	84	84	84	84	84
<b>Net Closing Balance</b>	<b>2,668</b>	<b>2,461</b>	<b>1,182</b>	<b>6,927</b>	<b>4,540</b>	<b>21,883</b>	<b>31,514</b>	<b>53,679</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

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