Growth Slowdown, Margins Impact Persists; Maintain HOLD

Est. Vs. Actual for Q2FY27: Revenue – MISS; EBITDA – MISS

Changes in Estimates post Q2FY27

FY27E/FY28E: Revenue: -3%/-4%; **EBITDA:** -25%/-30%

Recommendation Rationale

- **Muted Revenue Growth:** ABFRL reported 2.4% YoY revenue growth in Q2FY27, impacted by the shift in the festive calendar, with Durga Puja, pre-Diwali purchases and associated e-commerce sale events moving to Q3, alongside a subdued wedding season. Performance remained muted across key segments, with Pantaloons reporting flat revenue and the Ethnic business growing just 2%; together, these segments contribute approximately 80% of revenue.
- **Margin Pressure:** EBITDA declined 80.7% YoY, with EBITDA margin contracting 282bps to 0.7%, primarily due to lower treasury income, gross margin pressure and investments in scaling newer businesses, including OWND and Galeries Lafayette. Profitability was further impacted by lower operating leverage due to the shift in festive demand to Q3. Additionally, 4–5% cost inflation, which Pantaloons has been unable to fully pass on through price hikes, is expected to result in an estimated 100bps gross margin impact as the inflationary impact fully sets in.
- **Management Outlook:** Consumer demand remained steady, with better traction in lower-tier and rural markets despite festive shifts hurting Q2. Early H2 trends are strong, with Onam and Durga Puja posting double-digit LTL growth and Diwali trending at mid-to-high single digits. In the near term, solid same-store sales should offset cost pressures, with margins expected to expand next year as cost inflation eases. Cash flow is projected to recover in H2 from seasonal working capital release and festive volumes, aided by an upcoming $100 Mn–$150 Mn external fundraise for TMRW.

Sector Outlook: Cautious

Company Outlook & Guidance: We **reiterate our HOLD rating** and cut our FY27/FY28 estimates considering the inflationary cost pressure.

Current Valuation: 11xSep'28 EV/EBITDA (Earlier Valuation: 12xJun'28 EV/EBITDA)

Current TP: Rs 40/share (Earlier TP: Rs 65/share)

Recommendation: With a 0% upside from the CMP, we **maintain our HOLD rating.**

Financial Performance

The company's consolidated revenue stood at Rs 2,030 Cr, up ~2.4% YoY, as growth was affected by a shift in the festival season from Q2 to Q3. EBITDA came in at Rs 13 Cr, plunging 80.7% YoY, while margins stood at 0.7%, contracting by 282 bps YoY. The company reported a net loss of Rs 376 Cr.

Outlook

Management's renewed focus on profitability marks a positive shift. Its strategy of expanding the product lineup through new launches and acquisitions, strengthening brand positioning, and driving digital transformation to increase online sales, including next-generation, digital-first brands under the technology-driven 'House of D2C Brands' venture, TMRW, should support long-term growth. However, these initiatives will take time to yield full results. Meanwhile, the near-term textile cost inflation and discretionary demand volatility remain key monitorables, and hence, we adopt a "Wait and Watch" approach and **maintain our HOLD rating on the stock with a revised TP of Rs 40/share, implying a 0% upside from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	2,030	0.2	2.4	2,200	(7.7)
EBITDA	13	(88.6)	(80.7)	68	(80.4)
EBITDA Margin (%)	0.7	-512bps	-282bps	3.1	-242bps
Net Profit	(376)	51.3	27.6	(273)	37.9
EPS (Rs)	(3.1)	51.3	27.6	(2.2)	37.9

Source: Company, Axis Securities Research

(CMP as of 08th November, 2026)

CMP (Rs)	40
Upside /Downside (%)	0%
High/Low (Rs)	81.49/38.50
Market cap (Cr)	4,761
Avg. daily vol.(6m) Shrs.'000	5,544
No. of shares (Cr)	122

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	46.6	46.6	46.6
FIIs	15.5	12.9	10.1
MFs / UTI	5.6	5.0	3.8
FIs / Banks	0.0	0.0	0.0
Others	32.2	35.6	39.5

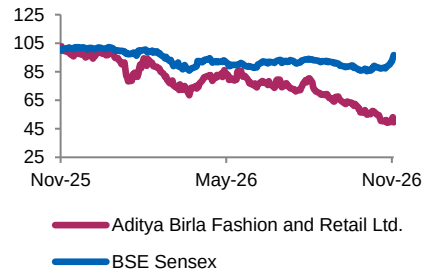
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	8,177	9,142	10,440
EBITDA	687	583	653
Net Profit	-778	-858	-810
EPS (Rs)	(6.4)	(7.0)	(6.6)
EV/EBITDA (x)	7.3	8.8	7.9
P/BV (x)	0.8	1.0	1.2
ROE (%)	(13.5)	(17.2)	(19.4)

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-3%	-4%
EBITDA	-25%	-30%

Relative Performance



Source: Ace Equity, Axis Securities Research

Results Gallery

Q1FY27
Q4FY26
Q3FY26
Q2FY26

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Other Concall Key Highlights

Segmental Performance of ABFRL

- **Pantaloons & OWND**:
  - Reported flat revenue of Rs 1,140 Cr due to Durga Puja and festive events shifting into Q3. Adjusting for the festive calendar shift and 16 store closures, Pantaloons format growth was ~6% YoY (and ~10% YoY on a festive-adjusted basis for the overall segment).
  - Format LTL was -7% (pulled down by the East region), but non-East markets grew +2% LTL.
  - E-com grew 19% YoY in Q2FY27, with mix at ~4%
  - OWND continued rapid scale-up, surging 58% YoY, expanding its retail presence to 90 standalone stores.
  - Pantaloons retail network closed at 387 stores across 5.7 Mn sq. ft. Women's western wear mix expanded to 23% (from 20%).
- **Ethnic Portfolio**:
  - Grew 12% YoY ex-TCNS in Q2 to Rs 517 Cr. Designer-led labels all sustained double-digit growth.
  - TASVA posted double-digit revenue growth in H1, scaling to 92 stores across 35 cities.
  - TCNS continues to face near-term challenges and has rationalised ~60 underperforming stores over 12 months (25+ closed in Q2) to rebuild a healthier, profitable network.
  - Jaypore delivered a healthy quarter with a further reduction in losses.
- **TMRW (Digital Brands)**:
  - Revenue grew 10% YoY to Rs. Rs 244 Cr. and 19% growth including WROGN.
  - Operating losses narrowed for the fourth consecutive quarter (-Rs. 41 Cr vs. -Rs. 62 Cr in Q2FY26). Store footprint exceeded 150 brand outlets (including WROGN).
- **Luxury Retail & Others**:
  - Luxury retail grew 11% in Q2. The Collective & Mono Brands (TCMB) operates 49 stores, with online share contributing more than 15%.

Key Risks to Our Estimates and TP

- Increase in competitive intensity.
- Weakening of the demand environment.
- Unable to scale brands.
- Persistent inflation and inability to pass on RM costs.

Change in Estimates

	Old		New		% Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	9,444	10,908	9,142	10,440	-3%	-4%
EBITDA	782	930	583	653	-25%	-30%

Source: Company, Axis Securities Research

Results Review

Rs Cr	Q2FY26	Q1FY27	Axis Sec	Q2FY27	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est
Total Revenue	**1,982**	**2,026**	**2,200**	**2,030**	***2.4***	***0.2***	**(7.7)**
COGS	835	879	990	889	***6.5***	*1.2*	**(10.2)**
Gross Profit	**1,147**	**1,147**	**1,210**	**1,141**	***(0.5)***	***(0.5)***	**(5.7)**
GM%	**57.9**	**56.6**	**55.0**	**56.2**	**-168bps**	**-41bps**	**120bps**
Expenditure							
Employee expenses	330	346	377	345	*4.5*	*(0.2)*	**(8.3)**
Other Exp	748	684	765	782	*4.6*	*14.4*	**2.2**
Total Expenditure	**1,913**	**1,909**	**2,132**	**2,017**	***5.4***	***5.7***	**(5.4)**
EBITDA	**69**	**117**	**68**	**13**	***(80.7)***	***(88.6)***	**(80.4)**
EBITDA Margin (%)	**3.5**	**5.8**	**3.1**	**0.7**	**-282bps**	**-512bps**	**-242bps**
Depreciation	325	350	357	369	*13.6*	*5.6*	**3.5**
EBIT	**(256.4)**	**(232.8)**	**(289.0)**	**(356.1)**	**38.9**	**53.0**	**23.2**
Interest	124	137	140	152	*22.1*	*10.7*	**8.5**
Oth. Inc.	55	56	60	60	*9.6*	*6.7*	**(0.4)**
Exceptional Items	-	-	-	-	**0.0**	**0.0**	**0.0**
Share of profits	(7)	(6)	-	(6)			
PBT	**(333)**	**(320)**	**(369)**	**(454)**	***36.5***	**41.9**	**23.2**
Tax	(38)	(72)	(96)	(78)	**105.6**	**9.2**	**(18.6)**
Effective Tax Rate (%)	11.4	22.3	26.0	17.2	**578bps**	-516bps	**-882bps**
PAT	**(295)**	**(249)**	**(273)**	**(376)**	***27.6***	**51.3**	**37.9**
PAT Margin (%)	**(14.89)**	**(12.28)**	**(12.41)**	**(18.54)**	***-365bps***	**-626bps**	**-613bps**
EPS (Rs)	(2.4)	(2.0)	(2.2)	(3.1)	***27.6***	**51.3**	**37.9**

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Dec	FY26	FY27E	FY28E	FY29E
Net sales	**8,177**	**9,142**	**10,440**	**11,954**
Growth, %	11.2	11.8	14.2	14.5
Other operating income	0	0	0	0
Total income	8,177	9,142	10,440	11,954
Raw material expenses	-3,467	-3,953	-4,506	-5,137
Employee expenses	-1,271	-1,448	-1,651	-1,882
Other Operating Expenses	-2,753	-3,158	-3,629	-4,172
EBITDA (Core)	**687**	**583**	**653**	**762**
Growth, %	1.5	(15.1)	12.1	16.7
Margin, %	8.4	6.4	6.3	6.4
Depreciation	-1,339	-1,389	-1,438	-1,487
EBIT	**-653**	**-806**	**-784**	**-725**
Growth, %	33.2	23.4	(2.6)	(7.6)
Margin, %	(8.0)	(8.8)	(7.5)	(6.1)
Other Income	310	121	126	131
Non-recurring Items	-40	0	0	0
Pre-tax profit	**-899**	**-1,159**	**-1,095**	**-995**
Tax provided	98	301	285	259
Profit after tax	**-801**	**-858**	**-810**	**-736**
Net Profit	**-830**	**-858**	**-810**	**-736**
Growth, %	0.6	8.6	(5.5)	(9.1)
Unadj. shares (Cr)	122	122	122	122

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

As of31st Mar, Rs Cr	FY26	FY27E	FY28E	FY29E
Cash & bank	496	388	346	408
Debtors	407	455	520	595
Inventory	2,828	3,162	3,611	4,134
Loans & advances	0	0	0	0
Other current assets	1,121	1,121	1,121	1,121
Total current assets	5,916	6,191	6,662	7,323
Investments	179	179	179	179
Gross fixed assets	17,683	18,233	18,783	19,333
Less: Depreciation	-7,316	-8,704	-10,142	-11,629
Add: Capital WIP	88	88	88	88
Net fixed assets	10,455	9,616	8,729	7,792
Non-current assets	1,206	1,206	1,206	1,206
Total assets	**17,377**	**16,813**	**16,397**	**16,121**
Current liabilities	4,110	4,403	4,798	5,258
Provisions	0	0	0	0
Total current liabilities	4,110	4,403	4,798	5,258
Non-current liabilities	7,004	7,004	7,004	7,004
Total liabilities	11,114	11,407	11,802	12,262
Paid-up capital	1,220	1,220	1,220	1,220
Reserves & surplus	4,619	3,761	2,951	2,214
Shareholders' equity	6,263	5,405	4,595	3,858
Total Equities & Liabilities	**17,377**	**16,813**	**16,397**	**16,121**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar, Rs Cr	FY26	FY27E	FY28E	FY29E
Pre-tax profit	-899	-1,159	-1,095	-995
Depreciation	1,339	1,389	1,438	1,487
Change in working capital	397	-89	-119	-139
Total tax paid	86	301	285	259
Cash flow from operating activities	**923**	**442**	**508**	**611**
Capital expenditure	-2,215	-550	-550	-550
Change in marketable securities	529	0	0	0
Cash flow from investing activities	**-1,707**	**-550**	**-550**	**-550**
Free cash flow	-783	-108	-42	61
Equity raised/(repaid)	0	0	0	0
Dividend (incl. tax)	0	0	0	0
Cash flow from financing activities	**649**	**0**	**0**	**0**
Net change in cash	-134	-108	-42	61
Opening cash balance	773	496	388	346
Closing cash balance	496	388	346	408

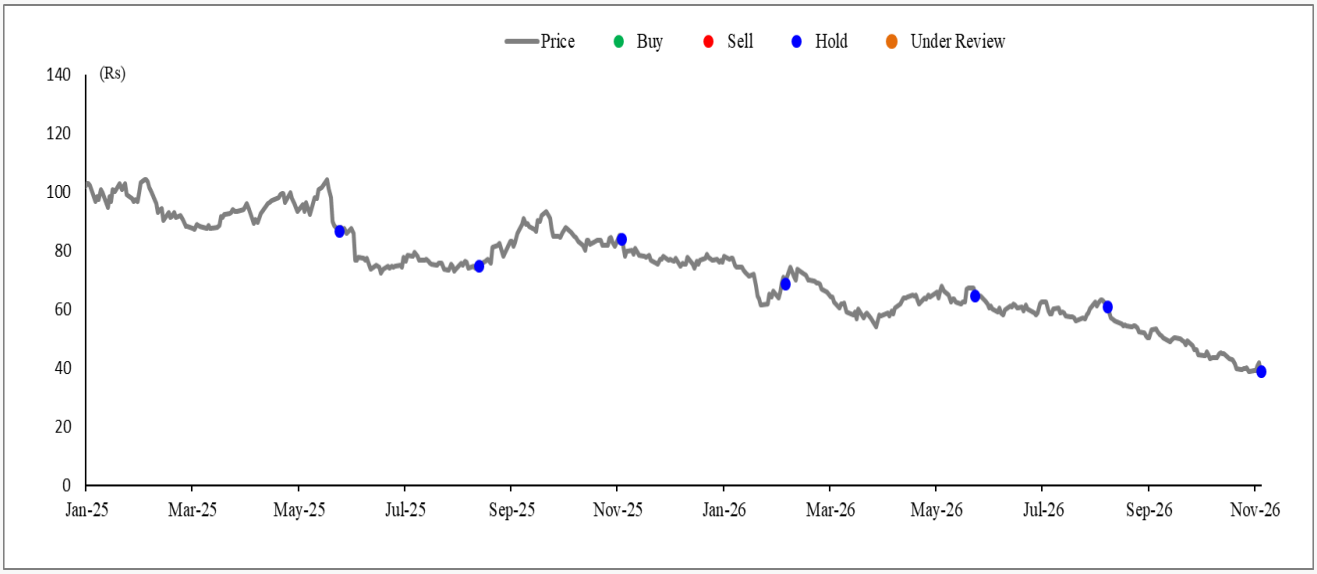
Source: Company, Axis Securities Research

Ratio Analysis (%)

	FY26	FY27E	FY28E	FY29E
Per Share data				
EPS (Rs)	(6.4)	(7.0)	(6.6)	(6.0)
Growth, %	0.6	8.6	(5.5)	(9.1)
Book NAV/share (Rs)	47.9	40.8	34.2	28.2
FDEPS (Rs)	(6.5)	(7.0)	(6.6)	(6.0)
CEPS (Rs)	4.8	4.4	5.1	6.2
CFPS (Rs)	8.2	2.6	3.1	3.9
DPS (Rs)	-	-	-	-
Return ratios				
Return on assets (%)	(1.7)	(2.2)	(2.3)	(2.1)
Return on equity (%)	(13.5)	(17.2)	(19.4)	(21.4)
Return on capital employed (%)	(2.2)	(3.0)	(3.1)	(3.0)
Turnover ratios				
Asset turnover (x)	1.5	1.8	2.5	3.4
Sales/Total assets (x)	0.5	0.5	0.6	0.7
Sales/Net FA (x)	0.8	0.9	1.1	1.4
Working capital/Sales (x)	0.0	0.0	0.0	0.0
Receivable days	18.2	18.2	18.2	18.2
Inventory days	126.2	126.2	126.2	126.2
Payable days	121.1	118.5	118.3	118.5
Working capital days	11.0	13.4	15.9	18.1
Liquidity ratios				
Current ratio (x)	1.4	1.4	1.4	1.4
Quick ratio (x)	0.8	0.7	0.6	0.6
Interest cover (x)	(1.3)	(1.7)	(1.8)	(1.8)
Total debt/Equity (%)	0.3	0.3	0.4	0.5
Net debt/Equity (%)	0.2	0.3	0.3	0.4
Valuation				
Price/Book (x)	0.8	1.0	1.2	1.4
EV/Net sales (x)	0.6	0.6	0.5	0.4
EV/EBITDA (x)	7.3	8.8	7.9	6.7
EV/EBIT (x)	(7.7)	(6.3)	(6.6)	(7.0)

Source: Company, Axis Securities Research

Aditya Birla Fashion Price Chart and Recommendation History



Date	Reco	TP	Research
27-May-25	HOLD	85	Result Update
18-Aug-25	HOLD	75	Result Update
06-Nov-25	HOLD	90	Result Update
09-Feb-26	HOLD	75	Result Update
27-May-26	HOLD	70	Result Update
11-Aug-26	HOLD	65	Result Update
09-Nov-26	HOLD	40	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.