

Aditya Birla Fashion and Retail Ltd. (ABFRL)

Nifty: 24,141 CMP: Rs. 302 Target Price: Rs. 330 Rating: Hold

Retail

Aditya Birla Fashion and Retail Ltd. (ABFRL) reported a challenging Q2FY25, where slower revenue growth impacted its overall performance, largely due to lower demand in lifestyle brands and subdued discretionary spending. Despite the muted revenue growth, ABFRL demonstrated a strong focus on profitability improvements, particularly within its Pantaloons and ethnic portfolio segments. The company recorded revenue growth of 13% YoY, primarily driven by inorganic growth through acquisitions like TCNS and expanding newer portfolio brands. We maintain HOLD recommendation with a revised target price of INR 330.

Performance Across Key Segments:

- **Pantaloons:** Saw a 3% YoY revenue growth and recorded a notable improvement in EBITDA margin by 560 bps YoY to 15%, mainly from improved inventory management, markdown reductions, and closure of unviable stores.
- **Ethnic and Newer Segments:** Ethnic businesses, especially brands like Tasva and TCNS, grew significantly with a robust YoY growth rate of 215% in the segment, supported by higher retail productivity and targeted expansion. TMRW also performed well, with revenue growing by 105% YoY.
- **Lifestyle Brands:** Lifestyle brands underperformed, showing only a 3% YoY growth, impacted by lower off-take in the wholesale channel due to demand softness in smaller markets.

Outlook and Strategic Initiatives:

- ABFRL is focused on consolidating unprofitable stores and is maintaining a cautious approach towards store expansion in

H2FY25. The company plans to add around 100 stores in high-demand urban locations while closely monitoring the performance of new stores in lifestyle and ethnic brands. Management expects demand to pick up during the festive season, supported by the wedding calendar in H2FY25.

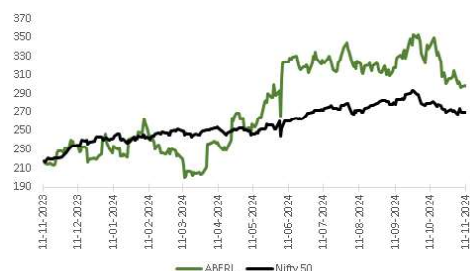
- ABFRL's portfolio expansion in previous years positions it well for long-term growth, though scaling profitability in its newer segments, such as ethnic and digital-first brands, remains a priority. Management is optimistic about leveraging the demerger process to unlock shareholder value, with completion anticipated by the end of FY25.

Future Outlook and Valuation :

The management remains cautious about store expansion due to the subdued demand with environment and given the limited upside at current valuations, We maintain HOLD recommendation with a revised target price of INR 330.

Shareholding (%)	Jun-24
Promoters	49.25
Mutual Fund	14.75
Foreign Institutions	19.68
Public	15.89

Relative Price Performance



Key Data	
BSE Code	535755
NSE Symbol	ABFRL
Shares Outstanding (cr)	107
Face Value	10
Mcap (INR cr)	32,376
52 Week H/L	364 / 198
CMP	302
Beta	1.09

(RS. Cr)	FY23	FY24	FY25E	FY26E
Net Revenue	12,417.9	13,995.9	16,029.2	18,860.4
Growth (%)	52.6%	12.7%	14.5%	17.7%
EBITDA	1,493.6	1,452.6	1,896.9	2,378.7
EBITDA (%)	12.0%	10.4%	11.8%	12.6%
Reported PAT	-59.5	-735.9	-261.0	185.2
EPS (INR)	-0.4	-6.2	-2.2	1.6
P/E (x)	-785.4	-48.2	-137.1	186

Quarterly Financials

INR Cr	2QFY25	2QFY24	% Chg	1QFY25	% Chg
Total Sales	3643.9	3226.5	12.9	3427.8	6.3
COGS	1586.2	1503.7	5.5	1489.3	6.5
Gross Profit	2057.7	1722.8	19.4	1938.5	6.1
Gross margin (%)	56.5%	53.4%	308 bps	56.6%	-8 bps
Staff cost	518.9	423.1	22.6	468.8	10.7
% of Net sales	14.2%	13.1%	113 bps	13.7%	56 bps
Rent	212.3	209.9	1.2	231.7	-8.3
% of Net sales	5.8%	6.5%	-67 bps	6.8%	-93 bps
Other Expenses	965	766.4	25.9	879.6	9.7
% of Net sales	26.5%	23.8%	273 bps	25.7%	82 bps
EBITDA	361.3	323.4	11.7	358.4	0.8
EBITDA Margin %	9.9%	10.0%	-11 bps	10.5%	-54 bps
Depreciation	461	388.8	18.6	435.9	5.7
Interest	250	208.4	20	219.5	13.9
Other income	51.6	45.7	12.7	47.8	7.8
PBT	-298.2	-228.1	-	-249.3	-
Tax	-63.6	-28.2	-	-34.6	-
effective tax rate %	21.3%	12.4%	895 bps	13.9%	742 bps
PAT	-234.6	-199.9	-	-214.6	-
Profit Margin %	-6.4%	-6.2%	-24 bps	-6.3%	-18 bps

Financials

Income Statement

INR Cr	FY23	FY24	FY25E	FY26E
Net Revenue	12,417.9	13,995.9	16,029.2	18,860.4
Gross Profit	7,728.6	8,851.5	10,414.9	11,914.1
Op. Expenses	10,924.3	12,543.3	14,135.1	16,481.8
EBITDA	1,493.6	1,452.6	1,896.9	2,378.7
Depreciation	1,227.0	1,655.2	1,800.3	1,885.0
EBIT	266.6	-202.6	96.6	493.7
Other income	123.3	250.3	350.8	420.8
Interest Exp.	472.4	887.6	802.6	676.6
Reported PBT	-82.4	-829.8	-355.3	237.9
Tax	-23.0	-93.0	94.4	52.7
Reported PAT	-59.5	-735.9	-261.0	185.2
Minority Int./Profit (loss) from Asso.	-23.5	-107.9	-40.4	22.5
Net Profit	-36.0	-628.0	-220.6	162.6
EPS (INR)	-0.4	-6.2	-2.2	1.6

Cash Flow

INR Cr	FY23	FY24	FY25E	FY26E
PBT	-82.4	-828.9	-355.3	237.9
Depreciation & amortization	1,227.0	1,655.2	1,800.3	1,885.0
Interest expense	472.4	887.6	756.1	626.6
(Inc)/Dec in working capital	-911.8	-167.3	-771.5	-424.7
Tax paid	2.5	-43.1	94.4	-52.7
Other operating Cash Flow	-71.4	-151.2	-	-
CF from operating activities	636.2	1,341.4	1,523.9	2,269.3
Capital expenditure	-681.3	-747.0	-705.7	-705.7
Inc/(Dec) in investments	283.9	-2,270.9	-	-
CF from investing activities	-387.2	-2,991.6	-705.7	-705.7
Inc/(Dec) in share capital	772.8	1,498.0	-	-
Others	-1,417.6	-1,217.9	-756.1	-626.6
CF from financing activities	331.6	1,411.6	-756.1	-626.6
Net cash flow	580.5	-238.7	62.1	937.0
Opening balance	120.5	701.1	462.4	524.5
Closing balance	701.1	462.4	524.5	961.4

Balance Sheet

INR Cr	FY23	FY24	FY25E	FY26E
Share Capital	948.8	1,015.0	1,015.0	1,015.0
Reserves & Surplus	2,394.5	3,018.8	2,798.2	2,960.8
Total Equity	3,343.3	4,033.8	3,813.2	3,975.8
Debt	2,305.5	4,205.2	4,205.2	4,205.2
Minority Interest	2.7	687.2	646.9	669.4
Net deferred Tax liabilities	-156.8	3.7	3.7	3.7
Non-Current Liabilities	4,267.3	5,246.2	5,246.2	5,246.2
Total Liabilities	9,762.0	14,176.1	13,915.2	13,600.3
Gross Fixed Assets	10,005.7	14,296.8	15,002.6	15,708.3
Accumulated Depreciation	3,976.0	5,631.3	7,431.6	9,316.6
Capital work in progress	203.7	171.1	171.1	171.1
Net Fixed Assets	6,233.4	8,836.6	7,742.1	6,562.8
Goodwill	2,329.7	3,201.0	3,201.0	3,201.0
Investments	266.6	984.8	984.8	984.8
Non Current Investments	84.2	104.1	104.1	104.1
Current Investments	182.4	880.7	880.7	880.7
Current Assets, Loans & Adv.	7,803.1	8,731.4	9,657.4	11,268.6
Inventory	4,214.4	4,505.3	5,506.2	6,478.8
Debtors	886.4	1,278.8	1,141.8	1,343.5
Cash & Bank balance	701.1	462.4	524.5	914.6
Loans & advances and others	2,001.2	2,484.9	2,484.9	2,484.9
Current Liabilities & Provisions	6,870.7	7,577.7	7,670.1	8,416.8
Liabilities	6,625.7	7,304.5	7,396.8	8,143.5
Provisions	245.0	273.2	273.2	273.2
Net Current Assets	932.4	1,153.7	1,987.3	2,851.7

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