

**HOLD** Aditya Birla Fashion & Retail

Your success is our success

## Weak Q2 vs. peers; maintain HOLD on weak macros

Retail ▶ Result Update ▶ November 11, 2023

TARGET PRICE (Rs): 220

**ABFRL's Q2 EBITDA was slightly better than estimated, led by boost in Madura margin, albeit offset by muted revenue. Lifestyle/Pantaloons' performance lagged peers', but softness in Innerwear/Ethnic was in-line. ABFRL is confident of its leadership in Lifestyle and attributed the 12% Q2 LTL decline to shift in wedding season to Q3 and lesser participation in low-margin channels (margin: +450bps). With higher East mix+intense competition+inventory optimization, Pantaloons saw a 15% dip in LTL/600bps drop in margin. Festive commentary was muted, but ABFRL remains hopeful of pickup in the wedding period. Despite weak trends, ABFRL maintains its Pantaloons/Tasva store-count target; Innerwear expansion is curtailed, on weak Athleisure. Net Debt rose by Rs30bn in H1, owing to Rs16.5bn towards TCNS stake, Rs4bn for D2C investments, with the rest for capex/WC (festive mismatch). Pantaloons/D2C are grey areas, while Lifestyle/Reebok/Ethnic are doing well; retain HOLD with TP at Rs220.**

**Aditya Birla Fashion & Retail: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	81,362	1,24,179	1,46,274	1,85,578	2,20,623
EBITDA	10,999	14,936	15,063	22,723	28,842
Adj. PAT	(1,087)	(360)	(5,454)	(3,895)	(2,337)
Adj. EPS (Rs)	(1.2)	(0.4)	(5.1)	(3.6)	(2.2)
EBITDA margin (%)	13.5	12.0	10.3	12.2	13.1
EBITDA growth (%)	98.3	35.8	0.9	50.9	26.9
Adj. EPS growth (%)	0.0	0.0	0.0	0.0	0.0
RoE (%)	(4.0)	(1.2)	(14.3)	(9.5)	(6.2)
RoIC (%)	3.1	5.8	(1.8)	3.2	7.3
P/E (x)	(186.9)	(570.9)	(42.6)	(59.6)	(99.4)
EV/EBITDA (x)	18.9	14.7	17.2	11.6	9.1
P/B (x)	7.3	6.1	5.4	6.0	6.4
FCFF yield (%)	3.8	(2.5)	(6.0)	5.3	7.0

Source: Company, Emkay Research

**Anticipate demand recovery with onset of festive season:** Standalone revenue at Rs30bn was flat and consolidation of Ethnic/D2C helped to consolidate growth of 5% in Q2. Growth in Ethnic subsidiaries was slower at 32%, but is expected to pick up with shift of festive season to Q3. For the Standalone business, Lifestyle/Pantaloons sales declined 6%/7%, due to LTL declining 12-15%. The weak performance was on account of shift of festive/wedding season to Q3, lower participation in low-margin channels, and intense competition in the value retail space. Innerwear de-grew 10%, due to athleisure related challenges. E-com trends were weak across business segments due to shift of festive season. Standalone EBITDA margin at 12.7% was down by 230bps, hit by old inventory clearance/negative leverage in Pantaloons (down by 600bps) and Innerwear losses. Performance of Other segments was better, on the back of gross-margin-led 430bps margin gains in Lifestyle and an early breakeven expected for Reebok in FY24 with Rs4bn topline. Among subsidiaries, Ethnic loss is lower at Rs0.5bn in H1, but TMRW (D2C) loss is higher at Rs0.7bn. Net debt at Rs44bn (vs. Rs14bn at Mar-23 end) increased by Rs30bn, due to Rs16.5bn payment for TCNS stake, Rs4bn investment in D2C, with the rest likely towards capex and WC increase due to festive shift. ABFRL expects to end FY24 with Rs28bn net debt; near-term debt level will remain elevated.

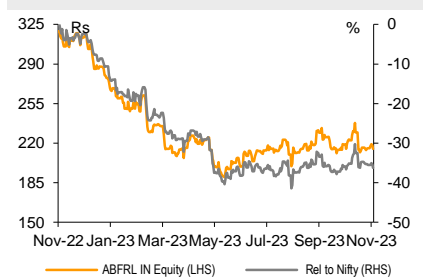
**Earnings call KTAs:** 1) ABFRL is seeing a K-shaped recovery, with premium/luxury segments doing better; but the value segment is stressed due to increase in personal indebtedness, elevated rental/health costs, and low wage hikes. 2) ABFRL does not expect further rise in debt (from Rs28bn by FY24-end), with thoughtful capital allocation across business segments. 90% of the planned TMRW (D2C) investments are done — another Rs1.5bn will happen in H2. Innerwear is expected to see breakeven in FY25. Pantaloons will fund its own growth, but Tasva will require capital infusion in the near term. 3) ABFRL expects Reebok to turn profitable by FY24-end and aims to add 15-20 stores every quarter, and reach a 170-180 store-count by then. 4) Targets adding 40/30-35 Ethnic/Pantaloons stores in FY24; Innerwear expansion has been curtailed. 5) Lifestyle margins expected to track 18-19% levels. 6) Plans adding 30-35 Pantaloons stores every year (earlier run-rate: 60-65 stores). 7) In TMRW, loss run-rate at Rs1.4bn is higher vs. earlier estimate of Rs0.8-1bn for FY24; losses should moderate going ahead.

Target Price – 12M	Sep-24
<b>Change in TP (%)</b>	-
Current Reco.	HOLD
Previous Reco.	HOLD
Upside/(Downside) (%)	1.6
CMP (10-Nov-23) (Rs)	216.6

Stock Data	Ticker
52-week High (Rs)	323
52-week Low (Rs)	184
Shares outstanding (mn)	949.1
Market-cap (Rs bn)	206
Market-cap (USD mn)	2,467
Net-debt, FY24E (Rs mn)	27,406
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	663.1
ADTV-3M (USD mn)	8.0
Free float (%)	35.0
Nifty-50	19,425
INR/USD	83.3
<b>Shareholding, Sep-23</b>	
Promoters (%)	55.5
FPIs/MFs (%)	13.8/17.3

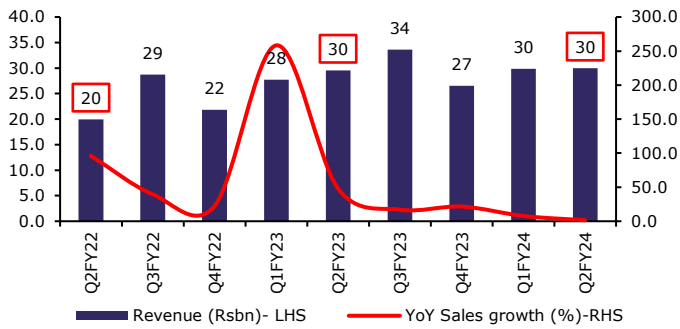
**Price Performance**

(%)	1M	3M	12M
Absolute	(1.5)	1.5	(31.0)
Rel. to Nifty	(0.1)	2.1	(35.9)

**1-Year share price trend (Rs)****Devanshu Bansal**devanshu.bansal@emkayglobal.com  
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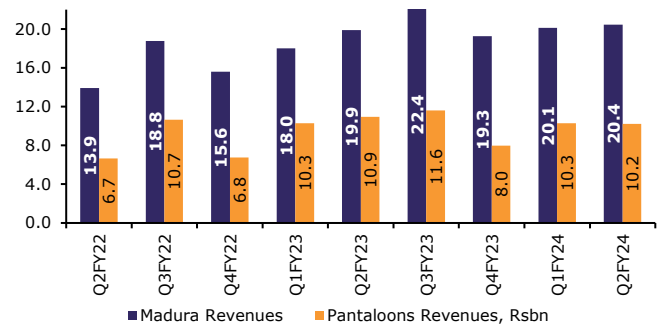
# Story in Charts

**Exhibit 1: Standalone revenues were flat, led by 6-7% decline in Lifestyle/Pantaloons and consolidation of Reebok**



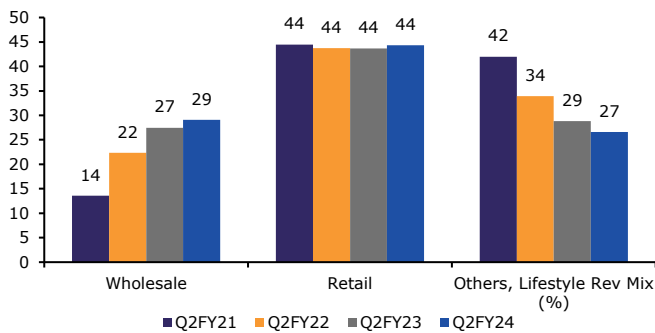
Source: Company, Emkay Research

**Exhibit 2: Madura revenue grew 3%, while Pantaloons saw a decline of 7% due to high competition and shift of festive to Q3**



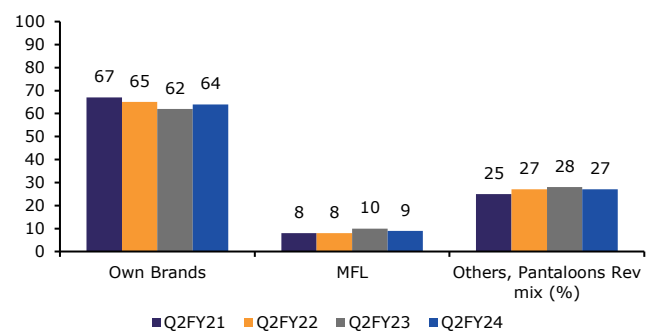
Source: Company, Emkay Research

**Exhibit 3: Retail/Online saw muted trends due to shift of festive/wedding and lower participation in weak margin business**



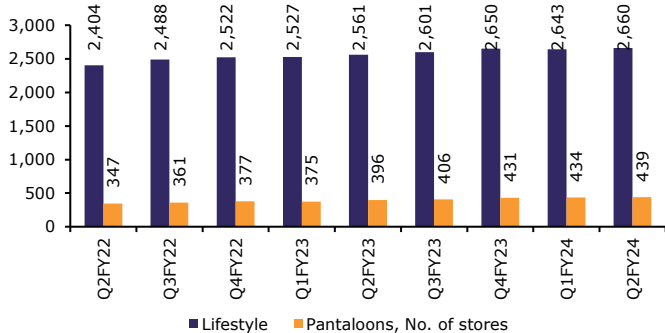
Source: Company, Emkay Research

**Exhibit 4: Contribution of own brands increased, while that of other brands saw a decline on YoY basis**



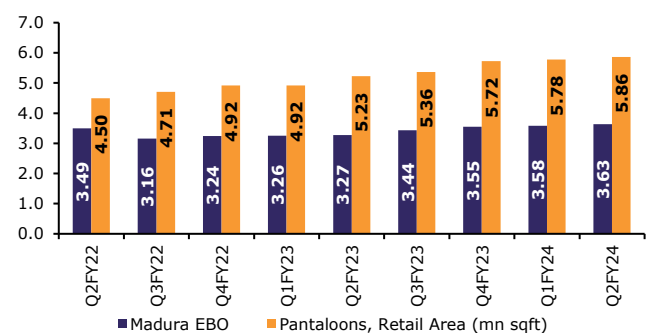
Source: Company, Emkay Research

**Exhibit 5: ABFRL added 10/8 stores for Lifestyle/Pantaloons in H1; maintains target of 30-35 additions in Pantaloons for FY24**



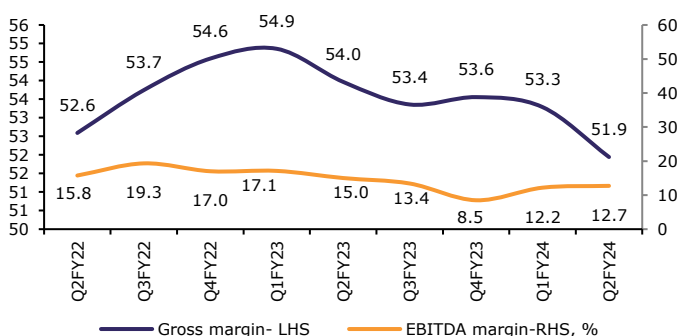
Source: Company, Emkay Research

**Exhibit 6: Retail space addition was on account of new store additions in Q2**



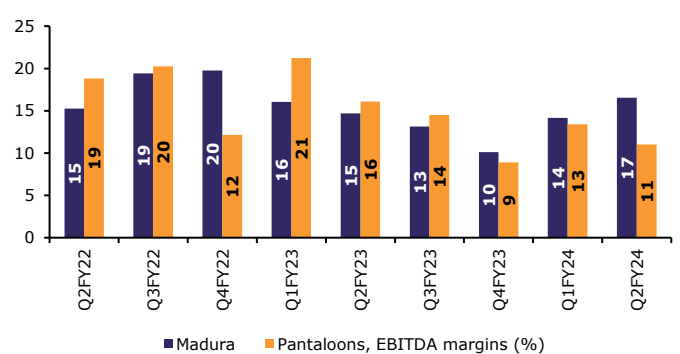
Source: Company, Emkay Research

**Exhibit 7: Standalone EBITDA margin dipped to 230bps, led by excess stock liquidation in pantaloons/innerwear; Lifestyle margins improved 430bps in Q2**



Source: Company, Emkay Research

**Exhibit 8: Madura margin improved ~300 bps led by cost optimization and lower participation in low-margin channels**



Source: Company, Emkay Research

## Exhibit 9: Actual vs. Estimates (Q2FY24)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	32,264	33,142	33,096	-2.6%	-2.5%	Lower topline led by weak Madura and Ethnic performance.
EBITDA*	3,233	3,089	3,512	4.7%	-7.9%	EBITDA margin was slightly higher, led by better Lifestyle margin
EBITDA margin*	10.0%	9.3%	10.6%	70	-59	
PAT	-1,792	-1,593	-1,198	12.5%	49.6%	Lower topline/higher interest-depreciation cost led to lower PAT

Source: Company, Emkay Research; \*Post-IndAS-116 EBITDA

## Exhibit 10: Summary of quarterly results

Y/E, Mar (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	FY23TD	FY24TD	Gr (%)
<b>Revenue</b>	<b>30,746</b>	<b>35,888</b>	<b>28,797</b>	<b>31,961</b>	<b>32,264</b>	<b>4.9</b>	<b>1.0</b>	<b>59,494</b>	<b>64,225</b>	<b>8.0</b>
<b>Expenditure</b>	<b>26,779</b>	<b>31,532</b>	<b>26,869</b>	<b>29,037</b>	<b>29,031</b>	<b>8.4</b>	<b>0.0</b>	<b>50,842</b>	<b>58,068</b>	<b>14.2</b>
Consumption of RM	13,803	16,284	12,738	14,460	15,037	8.9	4.0	26,498	29,497	11.3
as % of sales	44.9%	45.4%	44.2%	45.2%	46.6%			44.5%	45.9%	
Other expenditure	12,976	15,248	14,131	14,577	13,994	7.8	-4.0	24,345	28,571	17.4
as % of sales	42.2%	42.5%	49.1%	45.6%	43.4%			40.9%	44.5%	
<b>EBITDA</b>	<b>3,967</b>	<b>4,356</b>	<b>1,928</b>	<b>2,923</b>	<b>3,233</b>	<b>-18.5</b>	<b>10.6</b>	<b>8,652</b>	<b>6,157</b>	<b>-28.8</b>
Depreciation	2,907	3,175	3,485	3,670	3,888	33.8	5.9	5,609	7,558	34.7
<b>EBIT</b>	<b>1,061</b>	<b>1,181</b>	<b>-1,557</b>	<b>-747</b>	<b>-655</b>	<b>-161.7</b>	<b>-12.3</b>	<b>3,042</b>	<b>-1,401</b>	<b>-146.1</b>
Other Income	220	269	364	603	457	107.8	-24.1	531	1,060	99.6
Interest	1,036	1,321	1,422	1,873	2,084	101.2	11.2	1,980	3,957	99.8
<b>PBT</b>	<b>245</b>	<b>129</b>	<b>-2,615</b>	<b>-2,017</b>	<b>-2,281</b>	<b>-1,031.7</b>	<b>13.1</b>	<b>1,593</b>	<b>-4,298</b>	<b>-369.7</b>
Total Tax	-56	62	-646	-397	-282	401.1	-28.9	354	-679	-291.7
<b>Reported PAT</b>	<b>301</b>	<b>67</b>	<b>-1,969</b>	<b>-1,620</b>	<b>-1,999</b>	<b>-763.8</b>	<b>23.4</b>	<b>1,239</b>	<b>-3,619</b>	<b>-392.0</b>
(Profit)/loss from JVs/Ass/MI	-7	45	24	4	-5	-33.3	-224.3	-1	-1	
<b>APAT after MI</b>	<b>377</b>	<b>158</b>	<b>-1,869</b>	<b>-1,414</b>	<b>-1,792</b>	<b>-575.3</b>	<b>26.7</b>	<b>1,352</b>	<b>-3,206</b>	<b>-337.2</b>
Extra ordinary items	0	0	0	0	0			0	0	
<b>Adjusted PAT</b>	<b>377</b>	<b>158</b>	<b>-1,869</b>	<b>-1,414</b>	<b>-1,792</b>	<b>-575.3</b>	<b>26.7</b>	<b>1,352</b>	<b>-3,206</b>	<b>-337.2</b>
<b>Adjusted EPS (Rs)</b>	<b>0.4</b>	<b>0.2</b>	<b>-2.0</b>	<b>-1.5</b>	<b>-1.9</b>	<b>-575.1</b>	<b>25.2</b>	<b>1.4</b>	<b>-3.4</b>	<b>-336.4</b>
<b>(%)</b>	<b>Q2FY23</b>	<b>Q3FY23</b>	<b>Q4FY23</b>	<b>Q1FY24</b>	<b>Q2FY24</b>	<b>(bps)</b>	<b>(bps)</b>	<b>FY23TD</b>	<b>FY24TD</b>	<b>(bps)</b>
EBITDAM	12.9	12.1	6.7	9.1	10.0	-290	90	14.5	9.6	-500
EBITM	3.4	3.3	-5.4	-2.3	-2.0	-550	30	5.1	-2.2	-730
EBTM	0.8	0.4	-9.1	-6.3	-7.1	-790	-80	2.7	-6.7	-940
PATM	1.2	0.4	-6.5	-4.4	-5.6	-680	-110	2.3	-5.0	-730
Effective Tax rate	-23.0	48.3	24.7	19.7	12.4	3540	-730	22.2	15.8	-640

Source: Company, Emkay Research; \*Post IndAS-116 EBITDA

## Exhibit 11: Segment-wise performance

	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Segment Revenue (Rs mn)</b>												
<b>Madura Fashion (Standalone)</b>	<b>12,460</b>	<b>12,170</b>	<b>5,550</b>	<b>13,910</b>	<b>18,760</b>	<b>15,590</b>	<b>18,020</b>	<b>19,880</b>	<b>22,360</b>	<b>19,270</b>	<b>20,120</b>	<b>20,440</b>
YoY Growth	-19%	-1%	134%	97%	51%	28%	225%	43%	19%	24%	12%	3%
[A] Lifestyle brands	10,260	10,030	4,350	11,560	15,890	13,420	15,200	16,810	18,730	15,350	15,940	15,860
YoY Growth	-21%	-6%	129%	118%	55%	34%	249%	45%	18%	14%	5%	-6%
[B] Others (Intl./Innerwear/Reebok)	2,200	2,140	1,200	2,350	2,870	2,170	2,820	3,070	3,630	3,920	4,180	4,580
YoY Growth	-7%	36%	155%	34%	30%	1%	135%	31%	26%	81%	48%	49%
<b>Pantaloons</b>	<b>8,110</b>	<b>5,970</b>	<b>2,200</b>	<b>6,650</b>	<b>10,660</b>	<b>6,750</b>	<b>10,270</b>	<b>10,940</b>	<b>11,590</b>	<b>7,980</b>	<b>10,300</b>	<b>10,210</b>
YoY Growth	-25%	-5%	168%	80%	31%	13%	367%	65%	9%	18%	0%	-7%
Less: Inter-segmental revenues	-20	300	10	600	700	520	550	1,280	360	740	550	710
<b>Net Revenue (Standalone)</b>	<b>20,590</b>	<b>17,840</b>	<b>7,740</b>	<b>19,960</b>	<b>28,720</b>	<b>21,820</b>	<b>27,740</b>	<b>29,540</b>	<b>33,590</b>	<b>26,510</b>	<b>29,870</b>	<b>29,940</b>
YoY Growth	-20%	-2%	142%	96%	39%	22%	258%	48%	17%	21%	8%	1%
<b>Ethnic/D2C business</b>	<b>170</b>	<b>380</b>	<b>380</b>	<b>580</b>	<b>1,140</b>	<b>1,010</b>	<b>1,010</b>	<b>1,210</b>	<b>2,300</b>	<b>2,280</b>	<b>2,090</b>	<b>2,290</b>
YoY Growth	-12%	157%	1167%	480%	571%	166%	166%	109%	102%	126%	107%	89%
<b>Net Revenue (Consol)</b>	<b>20,760</b>	<b>18,220</b>	<b>8,120</b>	<b>20,540</b>	<b>29,860</b>	<b>22,830</b>	<b>28,750</b>	<b>30,750</b>	<b>35,890</b>	<b>28,790</b>	<b>31,960</b>	<b>32,230</b>
YoY Growth	-20%	-1%	151%	100%	44%	25%	254%	50%	20%	26%	11%	5%

Source: Company, Emkay Research

## Exhibit 12: Segment-wise performance

Post IndAS 116												
	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Segment EBITDA (Rs mn)</b>												
<b>Madura Fashion (Standalone)</b>	<b>2,170</b>	<b>1,880</b>	<b>-790</b>	<b>2,120</b>	<b>3,640</b>	<b>3,080</b>	<b>2,890</b>	<b>2,920</b>	<b>2,940</b>	<b>1,950</b>	<b>2,850</b>	<b>3,380</b>
YoY Growth	-3%	55%	-24%	226%	68%	64%	-466%	38%	-19%	-37%	-1%	16%
Margin	17.4%	15.4%	-14.2%	15.2%	19.4%	19.8%	16.0%	14.7%	13.1%	10.1%	14.2%	16.5%
[A] Lifestyle brands	1,920	1,760	-570	1,880	3,460	3,120	2,660	2,860	3,170	2,250	2,920	3,390
YoY Growth	-14%	7%	-15%	382%	80%	77%	-567%	52%	-8%	-28%	10%	19%
Margins	18.7%	17.5%	-13.1%	16.3%	21.8%	23.2%	17.5%	17.0%	16.9%	14.7%	18.3%	21.4%
[B] Others (Intl./Innerwear/Reebok)	250	120	-220	240	180	-40	230	60	-230	-300	-70	-10
YoY Growth	-2600%	-128%	-41%	-8%	-28%	-133%	-205%	-75%	-228%	650%	-130%	-117%
<b>Pantaloons</b>	<b>1,900</b>	<b>860</b>	<b>-550</b>	<b>1,250</b>	<b>2,160</b>	<b>820</b>	<b>2,180</b>	<b>1,760</b>	<b>1,680</b>	<b>710</b>	<b>1,380</b>	<b>1,030</b>
YoY Growth	-4%	54%	-24%	76%	14%	-5%	-496%	41%	-22%	-13%	-37%	-41%
Margins	23.4%	14.4%	-25.0%	18.8%	20.3%	12.1%	21.2%	16.1%	14.5%	8.9%	13.4%	10.1%
Elimination	-190	-20	30	0	20	-70	30	30	-160	80	0	140
<b>Total EBITDA (Standalone)</b>	<b>4,260</b>	<b>2,760</b>	<b>-1,370</b>	<b>3,370</b>	<b>5,780</b>	<b>3,970</b>	<b>5,040</b>	<b>4,650</b>	<b>4,780</b>	<b>2,580</b>	<b>4,230</b>	<b>4,270</b>
YoY Growth	1%	60%	-21%	142%	36%	44%	-468%	38%	-17%	-35%	-16%	-8%
Margins	20.7%	15.5%	-17.7%	16.9%	20.1%	18.2%	18.2%	15.7%	14.2%	9.7%	14.2%	14.3%
<b>Ethnic/D2C Business</b>	<b>-30</b>	<b>-240</b>	<b>-70</b>	<b>10</b>	<b>310</b>	<b>50</b>	<b>-40</b>	<b>-470</b>	<b>-110</b>	<b>-270</b>	<b>-700</b>	<b>-580</b>
<b>Total EBITDA (Consol)</b>	<b>4,230</b>	<b>2,520</b>	<b>-1,440</b>	<b>3,380</b>	<b>6,090</b>	<b>4,020</b>	<b>5,000</b>	<b>4,180</b>	<b>4,670</b>	<b>2,310</b>	<b>3,530</b>	<b>3,690</b>
Margins	20.4%	13.8%	-17.7%	16.5%	20.4%	17.6%	17.4%	13.6%	13.0%	8.0%	11.0%	11.4%

Source: Company, Emkay Research

## Exhibit 13: Peer Comparison

Companies	Price (Rs/sh)	Mcap (Rs bn)	Reco	Target Price (Rs/sh)	EPS (Rs)			P/E (x)			EV / EBITDA (x)*		
					FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Titan Company	3,262	2,896	Hold	3,670	40.4	50.8	63.4	80.7	64.2	51.5	52.7	42.1	34.5
Page Industries	38,350	428	Hold	39,000	535.7	678.9	818.3	71.6	56.5	46.9	45.7	36.9	31.1
Jubilant FoodWorks	508	335	Sell	380	4.8	7.0	9.0	104.9	72.8	56.6	28.3	22.7	19.1
Devyani International	183	221	Sell	165	1.2	2.1	3.1	154.7	87.5	59.4	30.9	24.2	18.7
<b>ABFRL</b>	<b>217</b>	<b>205</b>	<b>Hold</b>	<b>220</b>	<b>-5.1</b>	<b>-3.6</b>	<b>-2.2</b>	<b>-42.4</b>	<b>-59.4</b>	<b>-99.0</b>	<b>14.9</b>	<b>9.8</b>	<b>7.8</b>
Westlife Development	818	128	Buy	1,040	6.6	10.1	15.1	124.5	81.0	54.1	30.6	24.0	18.9
Sapphire Foods	1,309	83	Buy	1,550	15.3	25.3	35.2	85.4	51.8	37.2	16.3	12.5	9.8
Varun Beverages	1,009	1,311	Buy	1,150	15.8	20.0	25.8	64.0	50.5	39.1	37.4	30.0	24.8
Go Fashion	1,236	67	Buy	1,440	17.2	24.5	32.5	71.9	50.5	38.0	26.2	19.6	15.2
Ethos	1,840	45	Buy	2,000	30.0	42.8	53.5	61.4	43.0	34.4	29.0	20.5	16.5
Senco Gold	657	51	Buy	800	21.6	27.6	35.0	30.4	23.8	18.8	15.7	12.5	10.1

Source: Company, Emkay Research; \*Post-IndAS-116 EBITDA

## Exhibit 14: Changes in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	1,46,274	1,46,274	0.0	1,85,578	1,85,578	0.0	2,20,623	2,20,623	0.0
EBITDA*	15,063	15,063	0.0	22,723	22,723	0.0	28,842	28,842	0.0
EBITDA margin (%)*	10.3	10.3	0 bps	12.2	12.2	0 bps	13.1	13.1	0 bps
Net profit	-5,454	-5,454	NA	-3,895	-3,895	NA	-2,337	-2,337	NA
EPS (Rs)	-5.1	-5.1	NA	-3.6	-3.6	NA	-2.2	-2.2	NA

Source: Company, Emkay Research; \*Post-IndAS-116 EBITDA

## Aditya Birla Fashion &amp; Retail: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>81,362</b>	<b>1,24,179</b>	<b>1,46,274</b>	<b>1,85,578</b>	<b>2,20,623</b>
Revenue growth (%)	55.0	52.6	17.8	26.9	18.9
<b>EBITDA</b>	<b>10,999</b>	<b>14,936</b>	<b>15,063</b>	<b>22,723</b>	<b>28,842</b>
EBITDA growth (%)	98.3	35.8	0.9	50.9	26.9
Depreciation & Amortization	9,970	12,270	16,265	20,121	23,205
<b>EBIT</b>	<b>1,029</b>	<b>2,666</b>	<b>(1,202)</b>	<b>2,602</b>	<b>5,637</b>
EBIT growth (%)	0.0	159.1	(145.1)	0.0	116.7
Other operating income	0	0	0	0	0
Other income	1,006	1,165	1,728	1,901	2,091
Financial expense	3,507	4,724	8,483	10,124	11,120
<b>PBT</b>	<b>(1,473)</b>	<b>(893)</b>	<b>(7,957)</b>	<b>(5,622)</b>	<b>(3,392)</b>
Extraordinary items	0	0	0	0	0
Taxes	(266)	(230)	(1,894)	(1,417)	(855)
Minority interest	96	235	522	150	0
Income from JV/Associates	23	68	87	160	200
<b>Reported PAT</b>	<b>(1,087)</b>	<b>(360)</b>	<b>(5,454)</b>	<b>(3,895)</b>	<b>(2,337)</b>
PAT growth (%)	0.0	0.0	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>(1,087)</b>	<b>(360)</b>	<b>(5,454)</b>	<b>(3,895)</b>	<b>(2,337)</b>
<b>Diluted EPS (Rs)</b>	<b>(1.2)</b>	<b>(0.4)</b>	<b>(5.1)</b>	<b>(3.6)</b>	<b>(2.2)</b>
Diluted EPS growth (%)	0.0	0.0	0.0	0.0	0.0
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
EBITDA margin (%)	13.5	12.0	10.3	12.2	13.1
EBIT margin (%)	1.3	2.1	(0.8)	1.4	2.6
Effective tax rate (%)	18.0	25.7	23.8	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>843</b>	<b>1,980</b>	<b>(916)</b>	<b>1,946</b>	<b>4,217</b>
Shares outstanding (mn)	938.3	948.8	1,072.6	1,072.6	1,072.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	(1,473)	(893)	(7,957)	(5,622)	(3,392)
Others (non-cash items)	9,970	12,270	16,265	20,121	23,205
Taxes paid	(179)	113	229	482	(182)
Change in NWC	544	(2,426)	(10,392)	(953)	(1,545)
<b>Operating cash flow</b>	<b>11,365</b>	<b>12,623</b>	<b>4,900</b>	<b>22,252</b>	<b>27,115</b>
Capital expenditure	(3,509)	(18,094)	(20,400)	(8,270)	(8,700)
Acquisition of business	(23)	(100)	0	0	0
Interest & dividend income	1,006	1,165	1,728	1,901	2,091
<b>Investing cash flow</b>	<b>(5,165)</b>	<b>(12,773)</b>	<b>(18,672)</b>	<b>(6,369)</b>	<b>(6,609)</b>
Equity raised/(repaid)	2,618	3,004	14,830	0	0
Debt raised/(repaid)	960	10,732	9,895	(395)	0
Payment of lease liabilities	(7,979)	(10,088)	(12,094)	(15,494)	(18,362)
Interest paid	(1,364)	(1,695)	(3,209)	(3,275)	(2,995)
Dividend paid (incl tax)	0	0	0	0	0
Others	(1,846)	4,003	665	525	400
<b>Financing cash flow</b>	<b>(7,612)</b>	<b>5,955</b>	<b>10,087</b>	<b>(18,640)</b>	<b>(20,957)</b>
Net chg in Cash	(1,412)	5,805	(3,686)	(2,757)	(451)
OCF	11,365	12,623	4,900	22,252	27,115
Adj. OCF (w/o NWC chg.)	10,820	15,049	15,292	23,205	28,660
FCFF	7,855	(5,471)	(15,500)	13,982	18,415
FCFE	5,354	(9,030)	(22,255)	5,758	9,386
OCF/EBITDA (%)	103.3	84.5	32.5	97.9	94.0
FCFE/PAT (%)	(492.4)	2,508.5	408.1	(147.8)	(401.6)
<b>FCFF/NOPLAT (%)</b>	<b>931.5</b>	<b>(276.3)</b>	<b>1,692.3</b>	<b>718.4</b>	<b>436.7</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	9,383	9,488	10,726	10,726	10,726
Reserves & Surplus	18,350	23,945	32,083	28,188	25,851
<b>Net worth</b>	<b>27,733</b>	<b>33,433</b>	<b>42,809</b>	<b>38,914</b>	<b>36,577</b>
Minority interests	152	27	(582)	(892)	(1,092)
Deferred tax liability (net)	(4,033)	(4,149)	(5,814)	(6,749)	(7,786)
<b>Total debt</b>	<b>12,323</b>	<b>23,055</b>	<b>32,555</b>	<b>32,555</b>	<b>32,555</b>
<b>Total liabilities &amp; equity</b>	<b>36,176</b>	<b>52,366</b>	<b>68,968</b>	<b>63,828</b>	<b>60,254</b>
Net tangible fixed assets	6,312	10,091	13,314	15,179	16,988
Net intangible assets	6,940	13,935	14,413	14,895	15,376
Net ROU assets	(3,452)	(6,439)	(11,351)	(17,427)	(24,386)
Capital WIP	1,026	1,457	1,457	1,457	1,457
Goodwill	19,973	23,297	34,797	34,797	34,797
Investments [JV/Associates]	778	878	878	878	878
<b>Cash &amp; equivalents</b>	<b>7,287</b>	<b>8,835</b>	<b>5,149</b>	<b>2,392</b>	<b>1,942</b>
Current assets (ex-cash)	50,363	68,440	83,700	99,760	1,16,723
Current Liab. & Prov.	53,057	68,707	73,576	88,683	1,04,102
<b>NWC (ex-cash)</b>	<b>(2,694)</b>	<b>(268)</b>	<b>10,124</b>	<b>11,077</b>	<b>12,621</b>
<b>Total assets</b>	<b>36,176</b>	<b>52,366</b>	<b>69,363</b>	<b>63,828</b>	<b>60,254</b>
Net debt	5,037	14,220	27,406	30,163	30,613
Capital employed	36,176	52,366	68,968	63,828	60,254
<b>Invested capital</b>	<b>27,085</b>	<b>41,196</b>	<b>61,879</b>	<b>59,101</b>	<b>55,977</b>
BVPS (Rs)	29.6	35.2	39.9	36.3	34.1
Net Debt/Equity (x)	0.2	0.4	0.6	0.8	0.8
Net Debt/EBITDA (x)	0.5	1.0	1.8	1.3	1.1
Interest coverage (x)	1.7	1.2	16.1	2.2	1.4
<b>RoCE (%)</b>	<b>5.8</b>	<b>8.7</b>	<b>0.9</b>	<b>6.8</b>	<b>12.5</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	(186.9)	(570.9)	(42.6)	(59.6)	(99.4)
P/CE(x)	22.9	17.3	21.5	14.3	11.1
P/B (x)	7.3	6.1	5.4	6.0	6.4
EV/Sales (x)	2.6	1.8	1.8	1.4	1.2
EV/EBITDA (x)	18.9	14.7	17.2	11.6	9.1
EV/EBIT(x)	202.4	82.4	(216.1)	100.9	46.6
EV/IC (x)	7.7	5.3	4.2	4.4	4.7
FCFF yield (%)	3.8	(2.5)	(6.0)	5.3	7.0
FCFE yield (%)	2.6	(4.4)	(9.6)	2.5	4.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	(1.3)	(0.3)	(3.7)	(2.1)	(1.1)
Total asset turnover (x)	2.3	2.8	2.4	2.8	3.6
Assets/Equity (x)	1.3	1.4	1.6	1.6	1.6
<b>RoE (%)</b>	<b>(4.0)</b>	<b>(1.2)</b>	<b>(14.3)</b>	<b>(9.5)</b>	<b>(6.2)</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	1.0	1.6	(0.6)	1.0	1.9
IC turnover (x)	3.0	3.6	2.8	3.1	3.8
<b>RoIC (%)</b>	<b>3.1</b>	<b>5.8</b>	<b>(1.8)</b>	<b>3.2</b>	<b>7.3</b>
<b>Operating metrics</b>					
Core NWC days	(59.5)	(42.1)	(31.6)	(28.0)	(29.5)
<b>Total NWC days</b>	<b>(12.1)</b>	<b>(0.8)</b>	<b>25.3</b>	<b>21.8</b>	<b>20.9</b>
Fixed asset turnover	2.1	2.7	2.4	2.6	3.1
Opex-to-revenue (%)	40.8	43.3	45.3	44.5	44.1

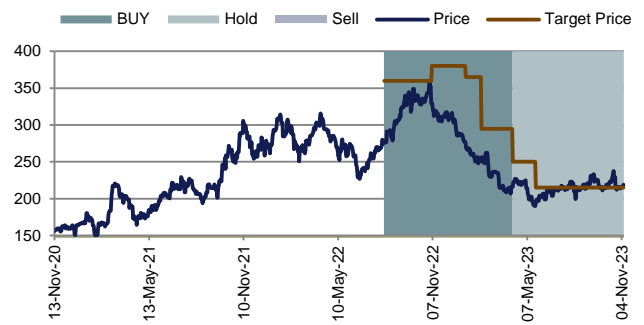
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
06-Aug-23	210	215	Hold	Devanshu Bansal
10-Jul-23	215	215	Hold	Devanshu Bansal
23-May-23	195	215	Hold	Devanshu Bansal
07-May-23	214	250	Hold	Devanshu Bansal
09-Apr-23	216	250	Hold	Devanshu Bansal
23-Feb-23	231	295	Buy	Devanshu Bansal
08-Feb-23	250	295	Buy	Devanshu Bansal
09-Jan-23	274	365	Buy	Devanshu Bansal
05-Nov-22	329	380	Buy	Devanshu Bansal
06-Aug-22	278	360	Buy	Devanshu Bansal

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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