

Notable Recovery



ABFRL reported Q1 that saw a beat on the bottomline primarily due to margin expansion in pantaloons

- Revenue (consolidated) grew by 7% YoY to Rs 34278mn while revenue grew 1% on a QoQ basis
- Gross Margins were @ 56.55% as against 54.76% YoY and 55.83% QoQ
- EBIDTA margins stood at 10.46% as against 9.15% YoY driven by Panaloons
- Loss for Q1FY25 at Rs 2149mn vs loss of 1616mn/-2664mn in Q1FY24/Q4FY24.

Outlook:

- Overall demand remained sluggish due to lower weddings
- H2FY25 to be better on account of higher occasional wear and more weddings
- Better product mix, higher private labels and improved inventory management should aid Pantaloons margins. Store rationalization should continue thereby store addition maintained at ~25 (historical avg - 40). Further scope to improve private label share (currently at 66%)
- TCNS will become EBITDA +ve in next 9 months however Tasva and TMRW will require more investments
- Merger with TCNS will complete within the next 3months and the demerger should be completed by end of FY25
- Store expansion target:** 25 to 30 store opening of Pantaloons in FY25 and a more measured approach towards other brands
- Net debt target:** ~3500crs by end of FY25

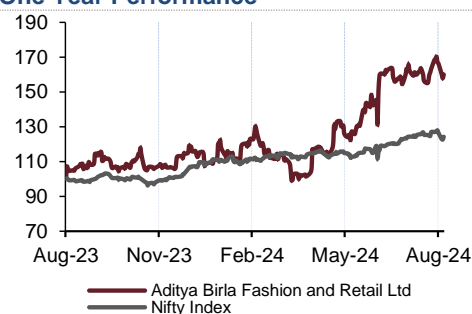
Rating	TP (Rs)	Up/Dn (%)
BUY	365	13

Market data

Current price	Rs	323
Market Cap (Rs.Bn)	(Rs Bn)	328
Market Cap (US\$ Mn)	(US\$ Mn)	3,905
Face Value	Rs	10
52 Weeks High/Low	Rs	348.9 / 192.95
Average Daily Volume	('000)	2,664
BSE Code		535755
Bloomberg		ABFRL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	51.97	51.85
Public	47.58	47.68
Others	0.51	0.55
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	124,179	139,959	159,805	179,370	201,924
EBIDTA	14,936	14,526	19,336	22,839	25,778
EPS (Rs) (post dilution)	(0.63)	(7.25)	(5.23)	(4.19)	(3.02)
P/E (x)	(526)	(46)	(63)	(79)	(109)
P/B (x)	9.4	8.3	9.6	10.9	12.1
EV/EBITDA (x)	24.3	25.6	19.3	16.3	14.3
D/E	0.5	0.7	1.0	1.2	1.4
RoCE (%)	8.6	5.7	4.0	6.6	8.4
RoE (%)	1.2	(3.7)	(10.7)	(9.4)	(7.3)

*Consolidated Post IND-AS 116

Source: Dalal & Broacha Research, Company

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Segmental & Concall KTA's

Segmental

Particulars Rs Mns	Q1FY25	Q1FY24	YoY
A. Aditya Birla Lifestyle Brands Limited			
1. Lifestyle Brands	14,820	15,940	-7%
2. Other Brands	3,170	3,030	5%
B. Proposed Demerged Entity (ABFRL)			
1. Pantaloons	11,010	10,510	5%
2. Ethnic (incl TCNS)	3,500	1,340	161%
3. TMRW	1,430	730	96%
4. Others	1,140	1,000	14%
EBITDA Margins			
A. Aditya Birla Lifestyle Brands Limited			
1. Lifestyle Brands	15.70%	13.7%	
2. Other Brands	18.8%	18.3%	
	1.3%	-10.2%	
B. Proposed Demerged Entity (ABFRL)			
	6.9%	8.0%	
1. Pantaloons	17.6%	12.9%	
2. Ethnic	-15.5%	-26.1%	
3. TMRW	-32.2%	-46.8%	
4. Others	22.0%	42.7%	

A. Aditya Birla Lifestyle Brands Limited (ABLBL)

1. Lifestyle Brands

- Fewer wedding dates led to sluggish demand
- Womenswear & kids wear remained strong, Delivered low-single digit growth vs LY
- Non-performing stores to shut down in smaller towns
- Q1 EBITDA margins improved by 50bps on account of cost reduction programme, enhanced product enhancements, improving quality of distribution and exiting under performing markets
- Wholesale business was down by 27% YoY and retail business down 9% YoY due to lean wedding calendar wherein small towns were impacted the most

2. Other business

I. Youth Western Wear

- **American Eagle** grew by 35% YoY || || 69 stores across 30+cities

II. Sportswear and Innerwear

- **Reebok** sales grew with profitability|| Continuous new product launches
- **Van Heusen** Innerwear outperformed athleisure || Retail L2L growth @3% in Q1|| E-com up 35% YoY||Available at +35000 outlets|| Athleisure is facing pressure

B. Proposed Demerged ABFRL

I. Pantaloons

- Retail LTL @2% for Q1 FY25
- EBITDA grew 43% YoY due to effective markdown management, higher private label share, various control measures and EOSS in end of June'23
- Private label share at 66% in Q1 with improve product aesthetics and design
- Style Up: 3 stores opened in Q1, now present at 30
- Target to add net 25 to 30 stores in FY25

II. Ethnic Brands

- JAYPORE: Revenue grew 12% YoY in Q1 led by offline expansion
- Shantanu & Nikhil: Pret label "S&N" grew by ~12% YoY driven by distribution expansion. Exited at 20 stores
- Sabyasachi: 25%+ growth in accessories || Retail LTL @ 5%
- TASVA: 50% lower wedding dates vs LY impacted sales in Q1 || 6 stores added in Q1 || Expect H2 to be better but still incur losses in FY25
- TCNS: Revenue at 84% of LY || Retail LTL at 5% || Target for EBITDA profitability in 9 months
- MASABA: Sales up 75% YoY|| Beauty brand "Lovechild" at ~6x of LY|| Added 1 stores in Q1(Total - 16) || Fashion grew 29% YoY

III. Super Premium Brands (The Collective)

- 18% growth over LY
- Total stores at 39

IV. TMRW

- Sales doubled over LY
- Currently not looking for any acquisition of brands

Quarterly Performance Analysis (consolidated)

Particulars Rs Mns (Consolidated)	Q1FY25	Q1FY24	YOY	Q4FY24	QoQ
Revenue from Operations	34,278	31,961	7%	34,067	1%
Other Income	478	603	-21%	875	-45%
Total Income	34,756	32,564	7%	34,941	-1%
COGS	14,893	14,460	3%	15,048	-1%
<i>% of sales</i>	<i>43.45%</i>	<i>45.24%</i>		<i>44.17%</i>	
GROSS MARGINS	56.55%	54.76%		55.83%	
Employee Benefit Expense	4,688	4,376	7%	4,780	-2%
<i>% of sales</i>	<i>13.68%</i>	<i>13.69%</i>		<i>14.03%</i>	
Other Expenses	8,796	7,934	11%	8,939	-2%
<i>% of sales</i>	<i>25.66%</i>	<i>24.82%</i>		<i>26.24%</i>	
Rent	2,317	2,268	2%	2,462	-6%
<i>% of sales</i>	<i>6.76%</i>	<i>7.10%</i>		<i>7.23%</i>	
Total expenses	30,694	29,037	6%	31,230	-2%
<i>% of sales</i>	<i>89.54%</i>	<i>90.85%</i>		<i>91.67%</i>	
EBITDA excluding other income	3,584	2,923	23%	2,837	26%
EBITDA MARGINS	10.46%	9.15%		8.33%	
EBITDA including other income	4,062	3,526	15%	3,712	9%
EBITDA Margins	11.69%	10.83%		10.62%	
Depreciation	4,359	3,670	19%	4,554	-4%
EBIT	(297)	(144)		(842)	
Finance costs	2,195	1,873	17%	2,355	-7%
PBT reported	(2,496)	(2,013)		(3,141)	
Adjusted PAT	(2,149)	(1,616)		(2,664)	
NPM	-6.18%	-4.96%		-7.62%	
Basic EPS	(1.60)	(1.47)		(2.36)	

*Consolidated Post IND-AS 116

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Valuations - SOTP	
Particulars (Rs. Bn)	
Aditya Birla Lifestyle (ALBL)	
Lifestyle Business	FY27
Sales	88,164
EBITDA	16,310
Margins	18.5%
EV/EBITDA (x)	18
EV	293,585
Reebok + Innerwear + Athleisure Business	
Sales	17,027
EV/Sales (x)	1
EV	17,027
Aditya Birla Fashion Lifestyle (ABFRL) Demerged	
Pantaloons	FY27
Sales	55,386
EBITDA	9,693
Margins	17.5%
EV/EBITDA (x)	12
EV	116,311
Ethnic wear	
Sales	22,829
EV/Sales (x)	1
EV	22,829
TMRW	
Sales	11,552
EV/Sales (x)	1
EV	11,552
Others	
Sales	6,966
EV/Sales (x)	1
EV	6,966
Total EV	468,270
Debt + Lease Liability	107,728
Cash	9,921
Equity Value	370,463
No of shares	1,015
Per share	365
CMP	323
Upside (%)	13%

Valuation:

The company is strategically navigating towards attaining balance between achieving profitability and fostering growth. By judiciously moderating its pace of store expansion and implementing a variety of cost-saving measures, the organization has begun to see tangible results in the recently concluded quarter especially visible in Pantaloons margins at 17.6%.

H2FY25 is expected to do well on account of higher occasional wear and weddings coupled with acquired business like TCNS turning EBITDA profitable. The proposed demerger is likely to be completed by end of FY25.

Going forward we will closely monitor the reduction in debt levels. In light of this we roll over our estimates to FY27 arriving at a Target price of Rs 365 and maintain our BUY recommendation.

Financials

Profit and Loss (Rs. Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	124,179	139,959	159,805	179,370	201,924
Cost of sales	109,243	125,433	140,469	156,531	176,146
Operating Profit	14,936	14,526	19,336	22,839	25,778
Depreciation	12,270	16,552	18,204	20,033	21,946
PBIT	2,666	(2,026)	1,132	2,805	3,832
Other income	1,165	2,376	2,000	2,100	2,205
Interest	4,724	8,766	9,095	9,681	10,130
Profit before tax	(893)	(8,417)	(5,963)	(4,775)	(4,093)
Exceptional and Extra Or	-	-	-	-	-
share of profit/loss in JV	-	-	-	-	-
PBT (Post Extra Ordinary)	(893)	(8,417)	(5,963)	(4,775)	(4,093)
Provision for tax	(230)	(931)	(656)	(525)	(1,032)
Reported PAT	(663)	(7,486)	(5,307)	(4,250)	(3,062)
MI	-	-	-	-	-
Adjusted PAT	(595)	(7,358)	(5,307)	(4,250)	(3,062)

Balance Sheet	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	9,488	10,150	10,150	10,150	10,150
Reserves	23,945	30,188	24,881	20,631	17,569
Net worth	33,433	40,338	35,031	30,781	27,719
Minority Interest	27	6,872	6,872	6,872	6,872
Non Current Liabilites	65,422	90,886	95,514	103,512	109,667
Current Liabilites	71,531	86,015	95,649	104,844	115,362
CAPITAL EMPLOYED	170,413	224,111	226,195	239,137	252,748
Non Current Assets	98,712	137,189	140,610	145,383	149,627
Fixed Assets	62,334	88,366	90,605	94,219	97,173
Non Current Investments	842	1,041	1,041	1,041	1,041
Non Current tax assets	64	259	298	334	374
Long Term Loans and Adv.	12	5	5	6	7
Other NON Current Asset:	3,736	3,938	4,332	4,765	5,241
Goodwill	23,297	32,010	32,010	32,010	32,010
Deferred Tax Assets	4,085	6,572	6,572	6,572	6,572
Security Deposits	4,343	4,997	5,747	6,437	7,209
Current Assets	71,701	86,922	92,457	100,626	109,994
Current investments	1,824	8,807	8,807	6,307	3,807
Inventories	42,144	45,053	50,350	54,057	60,854
Trade Receivables	8,864	12,788	13,135	14,743	16,596
Cash and Bank Balances	7,011	4,624	3,047	6,837	9,921
Short Term Loans and Adv.	100	106	106	106	106
Other Current Assets	11,757	15,544	17,013	18,576	18,709

Cash Flow St. (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Profit	(663)	(7,486)	(5,307)	(4,250)	(3,062)
Add: Dep. & Amort.	12,270	16,552	18,204	20,033	21,946
Minority Interest	-	-	-	-	-
Cash profits	11,607	9,067	12,897	15,783	18,884
(Inc)/Dec in					
-Sundry debtors	(807)	(3,924)	(347)	(1,608)	(1,668)
-Inventories	(10,348)	(2,910)	(5,296)	(3,707)	(7,230)
-Loans/advances	(170)	2	(1)	(1)	(36)
-Current Liab and Provisions	11,117	11,162	11,304	10,989	7,528
- Other Assets	(3,914)	543	(1,902)	(2,032)	(1,742)
- Non Current security Deposits	(925)	(654)	(750)	(690)	(81)
Change in working capital	(5,048)	4,220	3,009	2,951	(3,229)
CF from Oper. activities	6,559	13,286	15,906	18,734	15,655
CF from Inv. activities	(18,019)	(29,917)	(17,483)	(17,444)	(23,450)
CF from Fin. activities	16,836	14,200	-	2,500	200
Cash generated/(utilised)	5,377	(2,431)	(1,577)	3,791	(7,595)
Cash at start of the year	1,079	7,011	4,624	3,047	6,837
Cash at end of the year	7,011	4,624	3,047	6,837	9,921

Ratios	FY23	FY24	FY25E	FY26E	FY27E
OPM	12	10.4	12.1	12.7	12.8
NPM	(0)	(5.2)	(3.3)	(2.3)	(1.5)
Tax rate	26	11.1	11.0	11.0	25.2
Growth Ratios (%)					
Net Sales	59	12.7	14.2	12.2	12.6
Operating Profit	38	(2.7)	33.1	18.1	12.9
PBIT	101	(176.0)	(155.9)	147.9	36.6
PAT	(26)	1,137.3	(27.9)	(19.9)	(28.0)
Per Share (Rs.)					
Net Earnings (EPS)	(1)	(7.2)	(5.2)	(4.2)	(3.0)
Cash Earnings (CPS)	12	9.1	12.7	15.5	18.6
Dividend	-	-	-	-	-
Book Value	35	39.7	34.5	30.3	27.3
Free Cash Flow	(12)	(16.4)	(1.6)	1.3	(7.7)
Valuation Ratios					
P/E(x)	(526.5)	(45.5)	(63.1)	(78.8)	(109.4)
P/B(x)	9.4	8.3	9.6	10.9	12.1
EV/EBIDTA(x)	24.3	25.6	19.3	16.3	14.3
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	(3.7)	(5.0)	(0.5)	0.4	(2.3)
Return Ratios (%)					
ROE	1%	-4%	-11%	-9%	-7%
ROCE	9%	6%	4%	7%	8%

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