



#### ABFRL reported numbers in line with estimates

- Revenue (consolidated) grew by 13% YoY to Rs 36,439mn while revenue grew 6% on a QoQ basis
- Gross Margins were @ 56.47% as against 53.39% YoY and 56.55% QoQ
- EBIDTA margins stood at 9.92% as against 10.02% YoY driven by Pantaloons
- Loss for Q2FY25 at Rs 2,147mn vs loss of 2,003mn/-2,149mn in Q2FY24/Q1FY25.

#### Outlook:

- H2 to be better on the back of festivity and very high number of weddings. Green shoots already seen at end of Q2 especially for the ethnic wear
- High single digit growth seen during Diwali, Poojo and start of wedding season
- Target of EBITDA margins of Lifestyle brands at a minimum of 18% in the medium term
- TCNS fully amalgamated w.e.f 1<sup>st</sup> September and the demerger should be completed by end of FY25.
- Store expansion target:** 25 to 30 store opening of Pantaloons in FY25, 100 stores in lifestyle in H2 and a more measured approach towards other brands
- Net debt target:** ~3500crs by end of FY25 (~400 to 500crs debt to be reduced in H2)

#### Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	124,179	139,959	158,249	177,610	199,940
EBIDTA	14,936	14,526	18,979	22,427	25,314
EPS (Rs) (post dilution)	(0.63)	(7.25)	(5.54)	(4.55)	(3.36)
P/E (x)	(526)	(46)	(60)	(73)	(98)
P/B (x)	9.4	8.3	9.6	11.1	12.6
EV/EBITDA (x)	24.3	25.6	19.7	16.6	14.6
D/E	0.5	0.7	1.0	1.2	1.5
RoCE (%)	8.6	5.7	3.5	6.1	7.9
RoE (%)	1.2	(3.7)	(11.4)	(10.4)	(8.3)

\*Consolidated Post IND-AS 116

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>348</b>	<b>18</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>294</b>
Market Cap (Rs.Bn)	(Rs Bn)	315
Market Cap (US\$ Mn)	(US\$ Mn)	3,730
Face Value	Rs	10
52 Weeks High/Low	Rs	364.5 / 198.45
Average Daily Volume	('000)	3,476
BSE Code		524091

Bloomberg ABFRL.IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	55	55
Public	44	44
Others	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

**Kunal Bhatia**  
(022) 67141442  
[kunal.bhatia@dalal-broacha.com](mailto:kunal.bhatia@dalal-broacha.com)

**Harsh Shah**  
+91 22 6714 1496  
[harsh.shah@dalal-broacha.com](mailto:harsh.shah@dalal-broacha.com)

## Segmental & Concall KTA's

### Segmental

Particulars Rs Mns	Q2FY25	Q1FY25	QoQ	Q2FY24	YoY
<b>A. Aditya Birla Lifestyle Brands Limited</b>					
1. Lifestyle Brands	16,360	14,820	10%	15,860	3%
2. Other Brands	3,390	3,170	7%	3,170	7%
<b>B. Proposed Demerged Entity (ABFRL)</b>					
1. Pantaloons	10,820	11,010	-2%	10,490	3%
2. Ethnic (incl TCNS)	4,540	3,500	30%	1,440	215%
3. TMRW	1,750	1,430	22%	850	106%
4. Others	1,260	1,140	11%	1,210	4%
<b>EBITDA Margins</b>					
<b>A. Aditya Birla Lifestyle Brands Limited</b>					
1. Lifestyle Brands	15.30%	15.70%		16.30%	
2. Other Brands	18.5%	18.8%		21.4%	
	0.3%	1.3%		-8.8%	
<b>B. Proposed Demerged Entity (ABFRL)</b>					
	8.1%	6.9%		6.4%	
1. Pantaloons	15.0%	17.6%		9.3%	
2. Ethnic	-3.1%	-15.5%		-12.3%	
3. TMRW	-21.8%	-32.2%		-45.3%	
4. Others	31.4%	22.0%		40.0%	

### A. Aditya Birla Lifestyle Brands Limited (ABLBL)

#### 1. Lifestyle Brands

- Revenue was primarily impacted due to one of their large trading partners shutting down operations
- YoY EBITDA margins was lower due to a one time gain in the base quarter.
- In the long term operating margins target is to be atleast at 18%
- Wholesale business was down by 11% YoY and retail business up 3% YoY
- Opened 29 high quality stores in key markets and exited from unviable markets

#### 2. Other business

##### I. Youth Western Wear

- American Eagle** grew by 31% YoY || || 69 stores across 30+cities

##### II. Sportswear and Innerwear

- Reebok** LTL growth at 10% in Q2 || Present across 169 stores || Focus is to aggressively add stores in the coming few years

- **Van Heusen** Retail L2L growth @3% in Q2|| E-com up 24% YoY||Available at +35800 outlets|| Athleisure grew after sustained degrowth in previous quarters || Added Q-commerce channel for the athleisure and the response has been positive so far || Innerwear performance to improve in coming quarters

## B. Proposed Demerged ABFRL

### I. Pantaloons

- Retail LTL @1.3% for Q2FY25
- EBITDA grew 65% YoY due to effective markdown management, superior merchandising & various control measures
- Style Up: 5 stores opened in Q1, now present at 35. Performance has been encouraging
- Pantaloons segment EBIT is under pressure due to scale up of Style Up. Core Pantaloons is free cashflow generating segment (excludes Style Up)
- 25 to 30 stores addition for FY25. Focus is on metro/large towns & cities || Cautious on expansion in smaller towns || Store size, product quality and look/feel has been altered to attract more customers

### II. Ethnic Brands

- JAYPORE: Revenue grew 15% YoY in Q2 led by Retail LTL growth of 6%
- Shantanu & Nikhil: Revenue growth of 10% ||Pret label "S&N" grew by ~24% YoY. 20 stores as on date
- Sabyasachi: Apparel and accessories saw strong growth
- TASVA: Retail LTL 26% || Sales up by 79% in Q2 || 3 stores added in Q2 ||
- TCNS: Revenue at 13% of LY due to better store productivity and end to end merchandising || Retail LTL at 3% || EBITDA positive in Q2
- MASABA: Sales up 123% YoY|| Beauty brand "Lovechild" at ~10x of LY||
- Tarun Tahiliani: Increased stake to 51%
- Tasva, Jaipore and Masaba facing operational losses

### III. Super Premium Brands (The Collective)

- 9% growth over LY
- E-comm grew by 24% YoY
- Total stores at 40

### IV. TMRW

- Sales doubled over LY
- ~1000crs annual revenue runrate
- Yet to be profitable on a portfolio level
- Organic growth at 30%

## Quarterly Performance Analysis (consolidated)

Particulars Rs Mns (Consolidated)	Q2FY25	Q2FY24	YOY	Q1FY25	QoQ
Revenue from Operations	36,439	32,264	13%	34,278	6%
Other Income	516	457	13%	478	8%
<b>Total Income</b>	<b>36,954</b>	<b>32,722</b>	13%	<b>34,756</b>	6%
<b>COGS</b>	15,862	15,037	5%	14,893	7%
<i>% of sales</i>	43.53%	46.61%		43.45%	
<b>GROSS MARGINS</b>	<b>56.47%</b>	<b>53.39%</b>		<b>56.55%</b>	
Employee Benefit Expense	5,189	4,231	23%	4,688	11%
<i>% of sales</i>	14.24%	13.11%		13.68%	
Other Expenses	9,650	7,664	26%	8,796	10%
<i>% of sales</i>	26.48%	23.75%		25.66%	
Rent	2,125	2,099	1%	2,317	-8%
<i>% of sales</i>	5.83%	6.50%		6.76%	
Total expenses	32,825	29,031	13%	30,694	7%
<i>% of sales</i>	90.08%	89.98%		89.54%	
<b>EBITDA excluding other income</b>	<b>3,613</b>	<b>3,233</b>	12%	<b>3,584</b>	1%
<b>EBIDTA MARGINS</b>	<b>9.92%</b>	<b>10.02%</b>		<b>10.46%</b>	
<b>EBITDA including other income</b>	<b>4,129</b>	<b>3,691</b>	12%	<b>4,062</b>	2%
<b>EBIDTA Margins</b>	<b>11.17%</b>	<b>11.28%</b>		<b>11.69%</b>	
Depreciation	4,610	3,888	19%	4,359	6%
EBIT	(481)	(197)		(297)	
Finance costs	2,500	2,084	20%	2,195	14%
<b>PBT reported</b>	<b>(2,783)</b>	<b>(2,286)</b>		<b>(2,496)</b>	
<b>Adjusted PAT</b>	<b>(2,147)</b>	<b>(2,003)</b>		<b>(2,149)</b>	
<b>NPM</b>	<b>-5.81%</b>	<b>-6.12%</b>		<b>-6.18%</b>	
<b>Basic EPS</b>	<b>(1.81)</b>	<b>(1.86)</b>		<b>(1.60)</b>	

\*Consolidated Post IND-AS 116

Source: Dalal & Broacha Research, Company

## Valuation & Outlook

Valuations - SOTP	
<b>Particulars (Rs. Bn)</b>	
<b>Aditya Birla Lifestyle (ALBL)</b>	
<b>Lifestyle Business</b>	<b>FY27</b>
Sales	86,180
EBITDA	15,943
Margins	18.5%
EV/EBITDA (x)	18
EV	286,980
<b>Reebok + Innerwear + Athleisure Business</b>	
Sales	17,027
EV/Sales (x)	1
EV	17,027
<b>Aditya Birla Fashion Lifestyle (ABFRL) Demerged</b>	
<b>Pantaloons</b>	<b>FY27</b>
Sales	55,386
EBITDA	9,693
Margins	17.5%
EV/EBITDA (x)	13
EV	126,003
<b>Ethnic wear</b>	
Sales	22,829
EV/Sales (x)	1
EV	22,829
<b>TMRW</b>	
Sales	11,552
EV/Sales (x)	1
EV	11,552
<b>Others</b>	
Sales	6,966
EV/Sales (x)	1
EV	6,966
<b>Total EV</b>	<b>471,357</b>
Debt + Lease Liability	107,728
Cash	9,054
<b>Equity Value</b>	<b>372,683</b>
No of shares	1,071
<b>Per share</b>	<b>348</b>
<b>CMP</b>	<b>300</b>
<b>Upside (%)</b>	<b>16%</b>

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 15%.

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 arrive at a Target price of Rs 348 based on SOTP valuation methodology and maintain our BUY recommendation.**

## Financials

Profit and Loss (Rs. Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	124,179	139,959	158,249	177,610	199,940
Cost of sales	109,243	125,433	139,271	155,183	174,626
<b>Operating Profit</b>	<b>14,936</b>	<b>14,526</b>	<b>18,979</b>	<b>22,427</b>	<b>25,314</b>
Depreciation	12,270	16,552	18,204	20,033	21,946
PBIT	2,666	(2,026)	774	2,394	3,368
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)	(6,320)	(5,187)	(4,557)
Exceptional and Extra Or	-	-	-	-	-
share of profit/loss in JV	-	-	-	-	-
PBT ( Post Extra Ordinary)	(893)	(8,417)	(6,320)	(5,187)	(4,557)
Provision for tax	(230)	(931)	(695)	(571)	(1,148)
<b>Reported PAT</b>	<b>(663)</b>	<b>(7,486)</b>	<b>(5,625)</b>	<b>(4,616)</b>	<b>(3,408)</b>
MI	-	-	-	-	-
<b>Adjusted PAT</b>	<b>(595)</b>	<b>(7,358)</b>	<b>(5,625)</b>	<b>(4,616)</b>	<b>(3,408)</b>

Source: Dalal &amp; Broacha Research, Company

Balance Sheet	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	9,488	10,150	10,150	10,150	10,150
Reserves	23,945	30,188	24,563	19,947	16,538
<b>Net worth</b>	<b>33,433</b>	<b>40,338</b>	<b>34,713</b>	<b>30,097</b>	<b>26,688</b>
<b>Minority Interest</b>	<b>27</b>	<b>6,872</b>	<b>6,872</b>	<b>6,872</b>	<b>6,872</b>
<b>Non Current Liabilities</b>	<b>65,422</b>	<b>90,886</b>	<b>95,514</b>	<b>103,512</b>	<b>109,667</b>
<b>Current Liabilities</b>	<b>71,531</b>	<b>86,015</b>	<b>95,181</b>	<b>104,313</b>	<b>114,764</b>
<b>CAPITAL EMPLOYED</b>	<b>170,413</b>	<b>224,111</b>	<b>225,408</b>	<b>237,922</b>	<b>251,120</b>
<b>Non Current Assets</b>	<b>98,712</b>	<b>137,189</b>	<b>140,610</b>	<b>145,383</b>	<b>149,627</b>
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
<b>Current Assets</b>	<b>71,701</b>	<b>86,922</b>	<b>91,670</b>	<b>99,412</b>	<b>108,365</b>
<b>Current investments</b>	<b>1,824</b>	<b>8,807</b>	<b>8,807</b>	<b>6,307</b>	<b>3,807</b>
Inventories	42,144	45,053	49,859	53,526	60,256
Trade Receivables	8,864	12,788	13,007	14,598	16,433
Cash and Bank Balances	7,011	4,624	2,878	6,298	9,054
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)	(5,625)	(4,616)	(3,408)
Add: Dep. & Amort.	12,270	16,552	18,204	20,033	21,946
Minority Interest	-	-	-	-	-
<b>Cash profits</b>	<b>11,607</b>	<b>9,067</b>	<b>12,579</b>	<b>15,417</b>	<b>18,537</b>
<b>(Inc)/Dec in</b>					
-Sundry debtors	(807)	(3,924)	(219)	(1,591)	(1,652)
-Inventories	(10,348)	(2,910)	(4,806)	(3,667)	(7,158)
-Loans/advances	(170)	2	(1)	(1)	(36)
-Current Liab and Provisions	11,117	11,162	10,835	10,927	7,468
- 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	3,158	2,947	(3,200)
<b>CF from Oper. activities</b>	<b>6,559</b>	<b>13,286</b>	<b>15,738</b>	<b>18,364</b>	<b>15,337</b>
<b>CF from Inv. activities</b>	<b>(18,019)</b>	<b>(29,917)</b>	<b>(17,483)</b>	<b>(17,444)</b>	<b>(23,450)</b>
<b>CF from Fin. activities</b>	<b>16,836</b>	<b>14,200</b>	<b>-</b>	<b>2,500</b>	<b>200</b>
<b>Cash generated/(utilised)</b>	<b>5,377</b>	<b>(2,431)</b>	<b>(1,746)</b>	<b>3,420</b>	<b>(7,913)</b>
Cash at start of the year	1,079	7,011	4,624	2,878	6,298
Cash at end of the year	7,011	4,624	2,878	6,298	9,054
Ratios	FY23	FY24	FY25E	FY26E	FY27E
OPM	12	10.4	12.0	12.6	12.7
NPM	(0)	(5.2)	(3.5)	(2.6)	(1.7)
Tax rate	26	11.1	11.0	11.0	25.2
<b>Growth Ratios (%)</b>					
Net Sales	59	12.7	13.1	12.2	12.6
Operating Profit	38	(2.7)	30.7	18.2	12.9
PBIT	101	(176.0)	(138.2)	209.1	40.7
PAT	(26)	1,137.3	(23.6)	(17.9)	(26.2)
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	(1)	(7.2)	(5.5)	(4.5)	(3.4)
Cash Earnings (CPS)	12	9.1	12.4	15.2	18.3
Dividend	-	-	-	-	-
Book Value	35	39.7	34.2	29.7	26.3
Free Cash Flow	(12)	(16.4)	(1.7)	0.9	(8.0)
<b>Valuation Ratios</b>					
<b>P/E(x)</b>	<b>(526.5)</b>	<b>(45.5)</b>	<b>(59.5)</b>	<b>(72.6)</b>	<b>(98.3)</b>
P/B(x)	9.4	8.3	9.6	11.1	12.6
EV/EBIDTA(x)	24.3	25.6	19.7	16.6	14.6
Div. Yield(%)	-	-	-	-	-
<b>FCF Yield(%)</b>	<b>(3.7)</b>	<b>(5.0)</b>	<b>(0.5)</b>	<b>0.3</b>	<b>(2.4)</b>
<b>Return Ratios (%)</b>					
ROE	1%	-4%	-11%	-10%	-8%
ROCE	9%	6%	4%	6%	8%

### Disclaimer

**Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B** (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

#### **Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-**

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

#### **Disclosures in respect of Research Analyst:**

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals



may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.  
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)