



ABFRL reported numbers slightly above estimates especially on the margins front

- Revenue (consolidated) grew by 3% YoY to Rs 43,047mn while revenue grew 18% on a QoQ basis
- Gross Margins were @ 58.21% as against 56.5% YoY and 56.47% QoQ
- EBIDTA margins stood at 14.75% as against 13.28% YoY driven by Panaloons and Ethnics vertical
- Loss for Q3FY25 at Rs 424Mn vs loss of 1,076mn/-2,147mn in Q3FY24/Q2FY25.

Outlook:

- De-merger likely to be completed within 2-3 months
- Demand momentum likely to continue with retail store consolidation with discounting to be tightened
- Forever21 to see an accelerated closure of stores
- Inventory is optimized and no surprises expected
- Store expansion target:** 300 stores target opening in Lifestyle & 15 to 20 stores target in Pantaloons
- Debt target:** Debt of ~700crs in ALBL and ~1300crs net cash in demerged ABFRL by end of FY25 post capital raise.
(Net debt as on 31.1.25: ~1800crs)

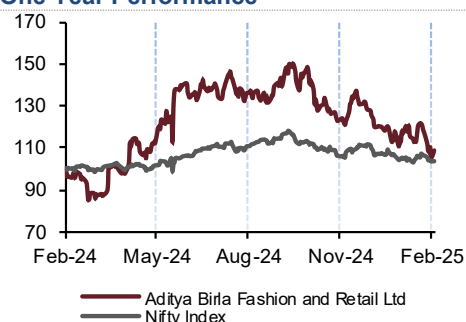
Rating	TP (Rs)	Up/Dn (%)
BUY	318	24

Market data

Current price	Rs	256
Market Cap (Rs.Bn)	(Rs Bn)	291
Market Cap (US\$ Mn)	(US\$ Mn)	3,354
Face Value	Rs	10
52 Weeks High/Low	Rs	364.5 / 198.45
Average Daily Volume	('000)	4,997
BSE Code		535755
Bloomberg		ABFRL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	46	49
Public	54	51
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	124,179	139,959	150,890	172,845	191,915
EBIDTA	14,936	14,526	16,910	19,992	22,490
EPS (Rs) (post dilution)	(0.63)	(7.25)	(7.52)	(4.37)	(3.79)
P/E (x)	(408)	(35)	(34)	(59)	(68)
P/B (x)	7.3	6.4	8.3	4.3	4.6
EV/EBITDA (x)	19.6	20.5	18.6	15.5	13.7
D/E	0.5	0.7	1.0	1.3	0.1
RoCE (%)	8.6	5.7	0.9	2.4	3.0
RoE (%)	1.2	(3.7)	(17.2)	(12.9)	(12.6)

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Segmental & Concall KTA's

Segmental

Particulars Rs Mns	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ
A. Aditya Birla Lifestyle Brands Limited					
1. Lifestyle Brands	18,170	18,150	0%	16,360	11%
2. Other Brands	3,330	3,160	5%	3,390	-2%
B. Proposed Demerged Entity (ABFRL)					
1. Pantaloons	13,050	13,340	-2%	10,820	21%
2. Ethnic (incl TCNS)	5,880	5,500	7%	4,540	30%
3. TMRW	1,870	1,480	26%	1,750	7%
4. Others	1,380	1,220	13%	1,260	10%
EBITDA Margins					
A. Aditya Birla Lifestyle Brands Limited					
1. Lifestyle Brands	16.50%	15.60%		15.30%	
2. Other Brands	19.60%	19.2%		18.5%	
	-0.30%	-5.3%		0.3%	
B. Proposed Demerged Entity (ABFRL)					
1. Pantaloons	14.40%	11.9%		8.1%	
2. Ethnic	19.30%	17.6%		15.0%	
3. TMRW	19.20%	7.6%		-3.1%	
4. Others	-33%	-33.1%		-21.8%	
	12.70%	24.2%		31.4%	

Aditya Birla Lifestyle Brands Limited (ABLBL)

1. Lifestyle Brands

- Retail LTL@12% with every brand delivery double digit LTL
- Revenues remained flat YoY on account of lower sales in wholesale and E-comm channels, Wholesale business was down by 13% as one of the largest distribution partner is undergoing restructuring and e-comm business down 11% YoY
- YoY EBITDA margins was higher by 40bps due to better channel mix, tight cost control and inventory management.
- Focus is on opening high impact stores showing full merchandise range and exiting low performance stores (mainly in smaller formats and lower tier markets)
- Target of aggressive roll out of 300 new stores in next 12 months across ABLBL portfolio

2. Other business

I. Youth Western Wear

- **American Eagle** grew by 10% YoY || Available at 210 counters

II. Sportswear and Innerwear

- **Reebok** Double digit sales growth with rising profitability || E-comm grew 35% YoY
- **Van Heusen** E-com up 24% YoY||Available at +36000 outlets|| Athleisure maintained growth momentum || E-comm grew 7% YoY|| Reached 500crs revenue however single digit margins will be reached when further 50% growth is achieved

B. Proposed Demerged ABFRL

I. Pantaloons

- Festive LTL @6% for Q3FY25, Non-east markets at +2.5% LTL YoY, Shift of Pujo to Q2 impacted East, LTL at -13%
- Gross margin improvement on account of product aesthetics and planning processes
- Style Up: Now present at 39. Added new categories – Beauty, Cosmetics and Lingerie|| Store count to double in FY26 || Average store size ~6000-8000 sq.ft || Exit selling price of 1200-1300, average < 1000 ||
- 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. Premiumization will be completed across all stores in next 12-18months. Focus is on increase sales of private labels.
- Closure of 40+stores in last 12 months, strategic focus on Metro/Tier 1 cities, Q4 would see few more closure of stores
- 15 to 20 stores to open in FY26

II. Ethnic Brands

- JAYPORE: Revenue grew 14% YoY in Q3 led by network expansion and higher realisations. Profitability improvement, now available at 27stores.
- Shantanu & Nikhil: Pret label “S&N” grew by ~24% YoY. 20 stores as on date
- Sabyasachi: Jewellery grew 8% YoY
- TASVA: Retail LTL 18% || Sales up by 50% in Q3 || Positive EBITDA in Q3 || Expecting Q4 to be stronger || Available across 67stores|| ~40-50 stores to be added in FY26
- TCNS: Revenue decline of 20% || Retail LTL at 6% || EBITDA positive in Q3 || Closure of 100+stores in last 12 months||
- MASABA: Sales more than doubled YoY|| Beauty brand “Lovechild” at ~4x of LY|| Fashion grew 71% YoY|| Added 2 stores, ended with 19stores
- Tarun Tahiliani: Revenue grew 41% YoY || Available at 6stores

III. Super Premium Brands (The Collective)

- 13% growth over LY, LTL at 10%
- E-comm grew by 10% YoY
- Total stores at 41
- Margins down on account of certain investment in stores

IV. TMRW

- Revenue increased 26% YoY in Q3FY25
- ~1000crs annual revenue runrate, 25-30% organic revenue growth
- Capital will be raised externally in next 9-12 months to fund growth/inorganic
- Exited quarter with 3 TIGC and 4 Bewakoof stores

Quarterly Performance Analysis (consolidated)

Particulars Rs Mns (Consolidated)	Q3FY25	Q3FY24	YOY	Q2FY25	QoQ
Revenue from Operations	43,047	41,667	3%	36,439	18%
Other Income	571	441	30%	516	11%
Total Income	43,618	42,108	4%	36,954	18%
COGS	17,990	18,127	-1%	15,862	13%
<i>% of sales</i>	<i>41.79%</i>	<i>43.50%</i>		<i>43.53%</i>	
GROSS MARGINS	58.21%	56.50%		56.47%	
Employee Benefit Expense	5,596	4,876	15%	5,189	8%
<i>% of sales</i>	<i>13.00%</i>	<i>11.70%</i>		<i>14.24%</i>	
Other Expenses	10,147	10,255	-1%	9,650	5%
<i>% of sales</i>	<i>23.57%</i>	<i>24.61%</i>		<i>26.48%</i>	
Rent	2,965	2,877	3%	2,125	40%
<i>% of sales</i>	<i>6.89%</i>	<i>6.90%</i>		<i>5.83%</i>	
Total expenses	36,698	36,134	2%	32,825	12%
<i>% of sales</i>	<i>85.25%</i>	<i>86.72%</i>		<i>90.08%</i>	
EBITDA excluding other income	6,349	5,533	15%	3,613	76%
EBIDTA MARGINS	14.75%	13.28%		9.92%	
EBITDA including other income	6,920	5,973	16%	4,129	68%
EBIDTA Margins	15.86%	14.19%		11.17%	
Depreciation	4,723	4,441	6%	4,610	2%
EBIT	2,197	1,533		(481)	
Finance costs	2,470	2,454	1%	2,500	-1%
PBT reported	(363)	(849)		(2,783)	
Adjusted PAT	(424)	(1,076)		(2,147)	
NPM	-0.97%	-2.56%		-5.81%	
Basic EPS	(0.48)	(0.81)		(1.81)	

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Source: Dalal & Broacha Research, Company

Valuation & Outlook

Valuations - SOTP	
Particulars (Rs. Bn)	
Aditya Birla Lifestyle (ALBL)	
Lifestyle Business	FY27
Sales	77,591
EBITDA	14,742
Margins	19.0%
EV/EBITDA (x)	18
EV	265,360
Reebok + Innerwear + Athleisure Business	
Sales	15,597
EV/Sales (x)	1
EV	15,597
Aditya Birla Fashion Lifestyle (ABFRL) Demerged	
Pantaloons	FY27
Sales	53,407
EBITDA	9,079
Margins	17.0%
EV/EBITDA (x)	13
EV	118,029
Ethnic wear	
Sales	26,758
EV/Sales (x)	1
EV	26,758
TMRW	
Sales	11,844
EV/Sales (x)	1
EV	11,844
Others	
Sales	6,718
EV/Sales (x)	1
EV	6,718
Total EV	444,306
Debt + Lease Liability	66,349
Cash	10,710
Equity Value	388,666
No of shares (fully diluted)	1,220
Per share	318
CMP	256
Upside (%)	24%

Valuation:

The company is strategically navigating towards attaining balance between achieving profitability and fostering growth. The strong EBITDA margins (Pantaloons, Ethnic) in Q3 was led by festive and wedding season which is expected to normalize in the coming quarters, however showcased the business potential at matured levels.

The recent capital raise will aid in strengthening the balance sheet in Lifestyle (ALBL) and the newer business (demerged ABFRL including Pantaloons) and support store expansion within Lifestyle, StyleUp and designer brands.

In light of this we arrive at a Target price of Rs 318 (fully diluted) 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	150,890	172,845	191,915
Cost of sales	109,243	125,433	133,979	152,854	169,424
Operating Profit	14,936	14,526	16,910	19,992	22,490
Depreciation	12,270	16,552	18,415	20,483	22,639
PBIT	2,666	(2,026)	(1,504)	(491)	(149)
Other income	1,165	2,376	2,164	2,164	2,164
Interest	4,724	8,766	9,636	7,668	8,199
Profit before tax	(893)	(8,417)	(8,976)	(5,995)	(6,183)
Exceptional and Extra Or	-	-	-	-	-
share of profit/loss in JV	-	-	-	-	-
PBT (Post Extra Ordinary)	(893)	(8,417)	(8,976)	(5,995)	(6,183)
Provision for tax	(230)	(931)	(921)	(660)	(1,558)
Reported PAT	(663)	(7,486)	(8,055)	(5,336)	(4,625)
MI	-	-	-	-	-
Adjusted PAT	(595)	(7,358)	(8,055)	(5,336)	(4,625)

Source: Dalal & Broacha Research, Company

Balance Sheet	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	9,488	10,150	10,712	12,203	12,203
Reserves	23,945	30,188	22,133	59,907	55,283
Net worth	33,433	40,338	32,844	72,110	67,485
Minority Interest	27	6,872	6,872	6,872	6,872
Non Current Liabilities	65,422	90,886	92,474	79,889	86,069
Current Liabilities	71,531	86,015	92,101	85,089	94,564
CAPITAL EMPLOYED	170,413	224,111	224,292	243,961	254,991
Non Current Assets	98,712	137,189	137,407	143,069	148,048
Fixed Assets	62,334	88,366	87,402	91,905	95,594
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	86,885	100,891	106,943
Current investments	1,824	8,807	8,807	6,307	3,807
Inventories	42,144	45,053	47,541	52,090	57,837
Trade Receivables	8,864	12,788	12,402	14,206	15,774
Cash and Bank Balances	7,011	4,624	1,017	9,605	10,710
Short Term Loans and Adv.	100	106	106	106	106
Other Current Assets	11,757	15,544	17,013	18,576	18,709
Capital Deployed	170,413	224,111	224,292	243,961	254,991

Cash Flow St. (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Profit	(663)	(7,486)	(8,055)	(5,336)	(4,625)
Add: Dep. & Amort.	12,270	16,552	18,415	20,483	22,639
Minority Interest	-	-	-	-	-
Cash profits	11,607	9,067	10,360	15,147	18,014
(Inc)/Dec in					
-Sundry debtors	(807)	(3,924)	386	(1,805)	(1,411)
-Inventories	(10,348)	(2,910)	(2,487)	(4,550)	(6,113)
-Loans/advances	(170)	2	(1)	(1)	(36)
-Current Liab and Provisions	11,117	11,162	8,617	11,710	6,603
- 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	3,864	2,632	(2,778)
CF from Oper. activities	6,559	13,286	14,224	17,779	15,236
CF from Inv. activities	(18,019)	(29,917)	(18,393)	(18,740)	(24,163)
CF from Fin. activities	16,836	14,200	562	9,550	200
Cash generated/(utilised)	5,377	(2,431)	(3,607)	8,589	(8,727)
Cash at start of the year	1,079	7,011	4,624	1,017	9,605
Cash at end of the year	7,011	4,624	1,017	9,605	10,710
Ratios	FY23	FY24	FY25E	FY26E	FY27E
OPM	12	10.4	11.2	11.6	11.7
NPM	(0)	(5.2)	(5.3)	(3.0)	(2.4)
Tax rate	26	11.1	10.3	11.0	25.2
Growth Ratios (%)					
Net Sales	59	12.7	7.8	14.6	11.0
Operating Profit	38	(2.7)	16.4	18.2	12.5
PBIT	101	(176.0)	(25.8)	(67.3)	(69.8)
PAT	(26)	1,137.3	9.5	(33.8)	(13.3)
Per Share (Rs.)					
Net Earnings (EPS)	(1)	(7.2)	(7.5)	(4.4)	(3.8)
Cash Earnings (CPS)	12	9.1	9.7	12.4	14.8
Dividend	-	-	-	-	-
Book Value	35	39.7	30.7	59.1	55.3
Free Cash Flow	(12)	(16.4)	(3.9)	(0.8)	(7.3)
Valuation Ratios					
P/E(x)	(408.4)	(35.3)	(34.0)	(58.5)	(67.5)
P/B(x)	7.3	6.4	8.3	4.3	4.6
EV/EBIDTA(x)	19.6	20.5	18.6	15.5	13.7
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	(4.7)	(6.4)	(1.5)	(0.3)	(2.9)
Return Ratios (%)					
ROE	1%	-4%	-17%	-13%	-13%
ROCE	9%	6%	1%	2%	3%

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