



ABFRL reported Q3 topline in line with expectations however margins saw a beat driven by Pantaloons

- Revenue (standalone) grew by 5% YoY to Rs 35162mn while revenue grew 17% on a QoQ basis
- Gross Margins were @ 54.43% as against 53.36% YoY and 51.94% QoQ
- EBIDTA margins stood at 16.17% as against 12.73% YoY driven by Pantaloons
- PBT for Q3FY24 reported a profit of Rs 607mn vs profit of 729mn/-1008mn in Q3FY23/Q2FY24
- Profit for Q3FY24 at Rs 451mn vs profit of 569mn/-749mn in Q3FY23/Q2FY24.

Outlook:

- Overall demand remains subdued with lower discretionary spends and higher inflation impacting spending, footfalls have been lower.
- No inorganic acquisitions planned in the near future
- The company is focused now more on profitability with rationalization of stores and efforts to sell more full priced products
- Pantaloons sales will remain impacted in Tier3/4 till the inflationary scenario does not cool down which is impacting customers at lower levels of income
- Reebok and American Eagle can turn out to be mega brands for the future
- Store expansion target:** 25 to 30 store opening of Pantaloons in FY25 and a more measured approach towards other brands
- Net debt target:** of Rs 2800 crs by end of March'24 post proceeds from GIC

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net sales	78,242	117,369	123,850	143,030	161,919
EBIDTA	10,795	15,948	16,113	20,013	23,053
EPS (Rs) (post dilution)	(0.86)	1.40	(2.21)	0.42	1.47
P/E (x)	(277)	170	(108)	561	162
P/B (x)	7.7	6.0	4.4	4.4	4.3
EV/EBITDA (x)	24.1	17.3	19.2	15.8	14.1
D/E	0.4	0.5	0.5	0.5	0.5
RoCE (%)	5.5	10.2	5.4	9.4	12.1
RoE (%)	(2.8)	3.5	(4.1)	0.8	2.6

*Post IND-AS 116

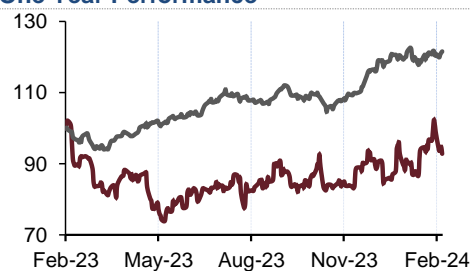
Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	259	9

Market data

Current price	Rs	239
Market Cap (Rs.Bn)	(Rs Bn)	226
Market Cap (US\$ Mn)	(US\$ Mn)	2,726
Face Value	Rs	10
52 Weeks High/Low	Rs	266 / 184.4
Average Daily Volume	('000)	4,647
BSE Code		5,35,755
Bloomberg		ABFRL.IN

Source: Bloomberg

One Year Performance



— Aditya Birla Fashion and Retail Ltd
— Nifty Index

Source: Bloomberg

% Shareholding	Dec-23	Sep-22
Promoters	55	55
Public	44	44
Others	1	1
Total	100	100

Source: BSE

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Segmental & Concall KTA's

Segmental

Particulars Rs Mns	Q3FY24	Q3FY23	YoY	Q2FY24	QoQ
A. Madhura Segment Total	22,890	22,360	2%	20,440	12%
1. Madhura LifeStyle	18,150	18,730	-3%	15,860	14%
2. Other Madhura which includes innerwear and Reebok	4,740	3,630	31%	4,580	3%
B. Pantaloon	12,970	11,590	12%	10,210	27%
Less Eliminations:	(700)	(360)		(710)	
Total	35,160	33,590	5%	29,940	17%
EBIDTA Margins					
A. Madhura Segment Total	20.4%	14.8%		16.54%	
1. Madhura LifeStyle	19.2%	16.9%		21.4%	
2. Other Madhura which includes innerwear & Reebok	4.0%	-6.3%		-0.2%	
B. Pantaloon	18.1%	14.5%		10.1%	
Madhura LifeStyle Mix					
Wholesale	3,350	3,740	-10%	4610	-27%
Retail	9,690	10,120	-4%	7030	38%
Others	5,110	4,870	5%	4220	21%

A. TOTAL MADHURA SEGMENT

1. Madhura Lifestyle Brands KTA's

- Revenue was impacted due to lower number of weddings, delayed winters and increased thrust to reduce higher discount channels
- Deliberate effort to choose profitability over discounts which was aided by freshness leading to lower pressure on discounting
- 9MFY24 EBITDA margins at 19.6% (**highest ever in Co's history**)
- LTL on a YoY basis was flat to negative
- Wholesale business was down by 10% YoY and retail business degrew 4% YoY
- Stores @2696(+36 QoQ)

2. Other Madhura business which includes innerwear

- Athleisure segment is under pressure
- Retail LTL @ 6%
- Innerwear category grew 5% YoY
- Network: 34300 MBO's , added ~2000 in Q3FY24
- Retail and E-comm revenue grew 10% YoY
- Reebok** grew 3x over LY|| Another quarter of 100crs+ sales|| 39 stores launched in last 12months || 161 stores total || E-commerce scaled up || 800+ touchpoints

- **American Eagle** grew by 34% YoY || 10 stores added
- **The Collective and other super-premium brands** revenue growth of 16% YoY || Collective witnessed 50% growth YoY

B. PANTALOON

- Shift in Pujo season from Q2 to Q3 impacted the sales positively
- Value fashion and lower tier markets remain subdued due to higher inflation
- Performance impacted due to impact on mid market segment and delayed winter resulted in subdued winter wear performance
- Margins improved 360 bps YoY due to strong control on cost lines, rationalization of overheads at store and supply chain level, reduced markdowns during festive
- **Strategically chosen to focus on premiumisation**
- Online contribution: 3 to 4%
- Retail LTL @3% for Q3FY24
- Net 7 stores added in Q3
- Target to add net 25 to 30 stores in FY25

C. Ethnic Subsidiaries

- JAYPORE: Retail revenue +10% YoY, added 3 new stores @ 25 stores
- Shantanu & Nikhil: Sales +30% YoY || Pret Label "S&N" recorded 20% LTL growth || added 1 new stores at 19 stores
- Sabyasachi: Revenue +43% || 42% LTL growth || Crossed 150crs quarterly sales for the 1st time || Jewellery fastest growing at 51% YoY, now contributing 25 to 30% of overall business
- TASVA: Grew 100% YoY || opened 8 store in Q3FY24 (67 in total)
- TCNS: Ethnic wear segment yet to reach pre COVID levels due to limited recovery of relevant wearing occasions || LTL growth at -2.5%

D. MASABA

- +16% revenue over LY
- Added 2 new stores , Total at 14

Quarterly Performance Analysis (standalone)

Particulars Rs Mns (Standalone)	Q3FY24	Q3FY23	YOY	Q2FY24	QoQ
Revenue from Operations	35,162	33,589	5%	29,953	17%
Other Income	425	271	57%	449	-5%
Total Income	35,587	33,859	5%	30,402	17%
COGS	16,025	15,666	2%	14,394	11%
<i>% of sales</i>	<i>45.57%</i>	<i>46.64%</i>		<i>48.06%</i>	
GROSS MARGINS	54.43%	53.36%		51.94%	
Employee Benefit Expense	3,457	3,642	-5%	3,300	5%
<i>% of sales</i>	<i>9.83%</i>	<i>10.84%</i>		<i>11.02%</i>	
Other Expenses	7,236	7,085	2%	6,388	13%
<i>% of sales</i>	<i>20.58%</i>	<i>21.09%</i>		<i>21.33%</i>	
Rent	2,757	2,686	3%	2,058	34%
<i>% of sales</i>	<i>7.84%</i>	<i>8.00%</i>		<i>6.87%</i>	
EBITDA excluding other income	5,687	4,510	26%	3,813	49%
EBIDTA MARGINS	16.17%	13.43%		12.73%	
EBITDA including other income	6,112	4,780	28%	4,262	43%
EBIDTA Margins	17.17%	14.12%		14.02%	
Depreciation	3,479	2,875	21%	3,431	1%
EBIT	2,633	1,905		831	
Finance costs	2,026	1,176	72%	1,839	10%
PBT reported	607	729		(1,008)	
Adjusted PAT	451	569		(749)	
NPM	1.27%	1.68%		-2.46%	
Basic EPS	0.47	0.60		(0.78)	

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Particulars (Rs. Bn)	FY26
Lifestyle Business	
Sales	82,157
EBITDA	15,281
Margins	18.6%
EV/EBITDA (x)	13
EV	198,655
Pantaloons	
Sales	51,931
EBITDA	8,309
Margins	16.0%
EV/EBITDA (x)	12
EV	99,708
Other Business	
Sales	27,831
EV/Sales (x)	1
EV	27,831
Ethnic wear	
Sales	13,118
EV/Sales (x)	1
EV	13,118
TCNS	
Sales (51% stake)	7,549
EV/Sales (x)	2.6
EV	19,628.09
Total EV	
	358,941
Debt + Lease Liability	90,255
Cash	7,762
Equity Value	276,447
No of shares (fully diluted) + Additional dilution due to TCNS conversion considered	1,067
Per share	259
CMP	238
Upside (%)	9%

(Dilution on account of TCNS considered)

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.

Despite these positive developments, there are immediate challenges on the horizon. A notable deceleration in discretionary spending, coupled with the financial strain introduced by the acquisition of TCNS, suggests a likelihood of the company's stock remaining relatively stable, with limited short-term fluctuations.

However, despite these near-term headwinds, the long-term outlook for the company remains optimistic. With a clear vision and a commitment to strategic planning, the company is well-positioned to navigate through temporary obstacles and realize its growth potential in the future.

Going forward we will closely monitor the company's ability to sustain its performance improvements and effectively manage and reduce its debt levels. In light of this we roll over our estimates to FY26 arriving at a Target price of Rs 259 and maintain our NEUTRAL stance.

Financials

Profit and Loss (Rs. Mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	78,242	117,369	123,850	143,030	161,919
Cost of sales	67,447	101,421	107,737	123,018	138,867
Operating Profit	10,795	15,948	16,113	20,013	23,053
Depreciation	9,469	11,145	13,621	14,206	14,929
PBIT	1,326	4,803	2,492	5,806	8,123
Other income	941	1,102	2,050	2,133	2,283
Interest	3,402	4,242	7,538	7,365	8,419
Profit before tax	(1,135)	1,663	(2,996)	575	1,988
Exceptional and Extra Or	-	-	-	-	-
share of profit/loss in JV	-	-	-	-	-
PBT (Post Extra Ordinary)	(1,135)	1,663	(2,996)	575	1,988
Provision for tax	(328)	337	(755)	145	501
Reported PAT	(807)	1,325	(2,241)	430	1,487
MI	-	-	-	-	-
Adjusted PAT	(807)	1,325	(2,241)	430	1,487

Source: Dalal & Broacha Research, Company

Balance Sheet	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	9,383	9,488	10,146	10,146	10,146
Reserves	19,439	28,381	44,482	44,912	46,399
Net worth	28,821	37,869	54,628	55,058	56,545
Minority Interest	-	-	5,405	5,405	5,405
Non Current Liabilities	31,203	51,431	70,966	71,604	72,289
Current Liabilities	55,990	65,433	72,443	79,343	86,209
CAPITAL EMPLOYED	116,014	154,732	198,036	206,006	215,042
Non Current Assets	65,844	90,356	128,152	129,889	133,432
Fixed Assets	29,529	45,311	82,487	83,541	86,383
Non Current Investments	8,351	14,011	14,011	14,011	14,011
Non Current tax assets	204	21	21	21	21
Long Term Loans and Adv.	36	12	12	13	13
Other NON Current Asset:	2,521	5,238	5,762	6,105	6,470
Goodwill	18,596	18,596	18,596	18,596	18,596
Deferred Tax Assets	3,531	3,166	3,166	3,166	3,166
Security Deposits	3,076	4,001	4,097	4,437	4,772
Current Assets	50,170	64,377	75,289	81,521	87,015
Current investments	5,374	1,500	1,500	1,500	1,500
Inventories	27,292	37,640	39,700	45,848	51,903
Trade Receivables	7,544	8,351	9,162	10,580	11,978
Cash and Bank Balances	1,079	6,430	13,427	10,981	7,762
Short Term Loans and Adv.	68	263	290	319	350
Other Current Assets	8,811	10,192	11,211	12,293	13,523

Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	(807)	1,325	(2,241)	430	1,487
Add: Dep. & Amort.	9,469	11,145	13,621	14,206	14,929
Minority Interest	-	-	-	-	-
Cash profits	8,661	12,470	11,380	14,636	16,416
(Inc)/Dec in					
-Sundry debtors	(1,545)	(807)	(811)	(1,419)	(1,397)
-Inventories	(9,863)	(10,348)	(2,060)	(6,148)	(6,055)
-Loans/advances	(14)	(170)	(27)	(30)	(32)
-Current Liab and Provisions	14,439	11,117	(646)	6,608	6,393
- Other Assets	(1,849)	(3,914)	(1,543)	(1,425)	(1,595)
- Non Current security Deposits	(38)	(925)	(96)	(340)	(335)
Change in working capital	1,130	(5,048)	(5,182)	(2,754)	(3,021)
CF from Oper. activities	9,791	7,422	6,198	11,882	13,395
CF from Inv. activities	(14,034)	(18,019)	(32,781)	(14,329)	(16,614)
CF from Fin. activities	3,677	15,948	33,580	-	-
Cash generated/(utilised)	(566)	5,351	6,997	(2,447)	(3,219)
Cash at start of the year	1,645	1,079	6,430	13,427	10,981
Cash at end of the year	1,079	6,430	13,427	10,981	7,762
Ratios	FY22	FY23	FY24E	FY25E	FY26E
OPM	14	14	13	14	14
NPM	(1)	1	(2)	0	1
Tax rate	29	20	25	25	25
Growth Ratios (%)					
Net Sales	51	50	6	15	13
Operating Profit	82	48	1	24	15
PBIT	(138)	262	(48)	133	40
PAT	(88)	(264)	(269)	(119)	246
Per Share (Rs.)					
Net Earnings (EPS)	(1)	1	(2)	0	1
Cash Earnings (CPS)	9	13	11	14	16
Dividend	-	-	-	-	-
Book Value	31	40	54	54	56
Free Cash Flow	(5)	(11)	(26)	(2)	(3)
Valuation Ratios					
P/E(x)	(276.7)	170.4	(107.7)	561.2	162.4
P/B(x)	7.7	6.0	4.4	4.4	4.3
EV/EBIDTA(x)	24.1	17.3	19.2	15.8	14.1
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	(1.9)	(4.7)	(11.0)	(1.0)	(1.3)
Return Ratios (%)					
ROE	-3%	3%	-4%	1%	3%
ROCE	6%	10%	5%	9%	12%

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