



Results (standalone) were in-line with estimates on topline however higher Ad-Spends impacted bottom-line

- Revenue (standalone) grew by 22% YoY to Rs 26512mn aided by 14% growth in lifestyle business. Revenue on a QoQ basis was down by 14%.
- EBIDTA margins stood at 8.5% as against 17% YoY and 13.4% QoQ mainly impacted by other expenses and higher employee cost.
- Gross Margins were stable @ 53.55% as against 54.59% YoY and 53.35% QoQ
- EBIDTA for all business i.e Lifestyle, Others including athleisure and innerwear and Pantaloon was impacted due to higher marketing spends. EBIDTA dropped by 39% YoY to Rs 2253mn.
- PBT for Q4FY23 reported a loss of Rs 1750mn vs 608mn/729mn in Q4FY22/Q3FY23
- Loss for Q4FY23 at Rs 1281mn vs profit of 497mn/569mn in Q4FY22/Q3FY23.

Outlook:

- Growth to see an uptick from H2FY24 on account of slowdown in Tier 2 and rural. Q4FY23 was the first full quarter witnessing slowdown.
- Ad Spends to remain elevated on account of TMRW and TASVA
- New ventures like Tasva and TMRW will take atleast 2 years to generate profitability.
- Consolidated Net Debt @ Rs 14220mn || Expect it to increase post TCNS acquisition
- D2C TMRW brand to remain in investment phase
- Net stores addition in Pantaloon to be ~ 40 to 50
- Reebok should turn profitable going forward

Financial Summary

Y/E Mar (Rs mn)	FY21*	FY22*	FY23*	FY24E*	FY25E*
Net sales	51,811	78,242	117,369	141,258	161,948
EBIDTA	5,943.3	10,794.8	15,947.9	20,305.4	23,570.4
EPS (Rs) (post dilution)	(7)	(1)	1	2	2
growth (%)	351	(88)	(264)	51	18
P/E (x)	(27)	(221)	136	96	82
P/B (x)	6	6	5	3	3
EV/EBITDA (x)	35	20	14	12	11
D/E	0.4	0.4	0.5	0.2	0.2
RoCE (%)	(7)	6	10	11	12
RoE (%)	(24)	(3)	3	3	4

*- Post IND-AS 116

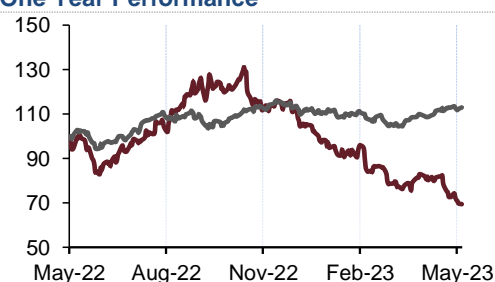
Rating	TP (Rs)	Up/Dn (%)
BUY	241	28

Market data

Current price	Rs	190
Market Cap (Rs.Bn)	(Rs Bn)	180
Market Cap (US\$ Mn)	(US\$ Mn)	2,179
Face Value	Rs	10
52 Weeks High/Low	Rs	359.5 / 187.5
Average Daily Volume	('000)	5,420
BSE Code		535755
Bloomberg		ABFRL.IN

Source: Bloomberg

One Year Performance



— Aditya Birla Fashion and Retail Ltd
— Nifty Index

Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	55	57
Public	44	44
Others	1	1
Total	100	101

Source: BSE

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Segments & Concall KTA's

Particulars Rs Mns	Q4FY23	Q4FY22	YoY	Q3FY23	QoQ
A. Madhura Segment Total	19,270	15,590	24%	22,360	-14%
1. Madhura LifeStyle	15,350	13,420	14%	18,730	-18%
2. Other Madhura which includes innerwear and Reebok	3,920	2,170	81%	3,630	8%
B. Pantaloon	7,980	6,750	18%	11,590	-31%
Less Eliminations:	(740)	(520)		(360)	
Total	26,510	21,820	21%	33,590	-21%
EBIDTA Margins					
A. Madhura Segment Total	10.1%	-0.3%		13.1%	
1. Madhura LifeStyle	14.7%	23.2%		16.9%	
2. Other Madhura which includes innerwear & Reebok	-7.7%	-1.8%		-6.3%	
B. Pantaloon	8.9%	12.1%		14.5%	
Madhura LifeStyle Mix					
Wholesale	3,310	4,190	-21%	3,740	-11%
Retail	8,090	6,160	31%	10,120	-20%
Others	3,950	3,070	29%	4,870	-19%

A. TOTAL MADHURA SEGMENT

1. Madhura Lifestyle Brands KTA's

- LTL @ 40% for FY23 in Retail business
- Ecom contribution at 12% for FY23
- Wholesale business degrew by 21% in Q4FY23 on account of account of change in the business model from Buy & Sell to consignment
- Stores @2650 (+128 YoY)
- Network of small-town format within Lifestyle brands is now 600 stores strong

2. Other Madhura business which includes innerwear

- Active Athleisure wear and Inner-Wear (total) growth @ 33% YoY
 - Inner-Wear and activewear witnessed 50% growth || Athleisure witnessed soft growth as work from home category faded
 - Network: 32000 MBO's and EBO at 175 stores
- **Reebok completed integration into ABFRL in H2FY23** || new brand ambassadors- Taapsee Pannu and Surya Kumar Yadav||
- **American Eagle** grew by 89% YoY and LTL 67%|| 6 stores added || total 37 EBO's
- **Forever-21** grew by 40% YoY || LTL grew by 25% || 9 (net)stores added

- **“TheCollective” and other super-premium brands** revenue growth of 60% YoY || LTL growth of 41%

B. PANTALOON

- LTL @13 % for Q4FY23
- Value segment i.e. Pantaloon face headwinds due to inflation || Tier-2 and below witness slowdown post festive
- 25 stores added in Q4 vs 54 added in full year
- Target to add net 40 to 50 stores in FY24
- Full year LTL growth @ 48%

C. Ethnic Subsidiaries :

- JAYPORE: Revenue +90% for FY23 expanded to 18 stores, 8 stores added in FY23
- Shantanu & Nikhil: Sales +53% for FY23 || 15 stores, 5 stores added in FY23 || extended brand in to sports
- Sabyasachi: Revenue +50% || Jewellery business grew 75% || Launched New York store in October
- TASVA: opened 19 stores in Q4FY23 (51 in total), 4 stores added through partnered model

D. MASABA

- Quarterly revenue double over LY
- Had acquired 51% stake in 'House of Masaba Lifestyle Private Limited' to get entry into branded beauty and personal care segment @ Rs 900mn (this includes secondary and primary infusion) for 51%
- aim to clock Rs 5bn revenues

E. D2C brands subsidiary in the making

- TMRW announced strategic partnership with seven digital first brands: Six brands already integrated into the portfolio

F. Digital and Omnichannel

- E-commerce sales grew 77% YoY
- Omni-channel coverage is now across 2650+ stores

Details of TCNS Acquisition

ABFRL to acquire TCNS					
PART-A 1					
Stake to be acquired:	51%	Approx 22% -30.81% from Promoters Approx 29% via open Offer (minimum)			
Consideration per share (Rs)	503				
Amount Consideration					
Rs Mns:	16500				
Thus valuation for 100%	32353				
TCNS Turnover Rs 9330mn (9MFY23)					
Annualised	12440				
Valuation considered:	2.6x FY23e Sales				
Part A 2					
Merge the company post above acquisition in ABFRL					
Merger Ratio:	11 Shares of ABFRL for 6 Shares of TCNS				
PART-B					
ABFRL H1FY23 B. Sheet Strength: Rs Mns					
Cash & Bank	1551.8				
Current Investments	9764.4				
Total	11316.2				
Balance amount Amount (75%) to received on 6.5crs warrants to be converted to Equity shares in FY24 @ Rs 288.75 per share					
	14250				
Borrowings	13744.6				
PART- C					
TCNS' our main concern is Inventory Days to RM					
Particulars (Rs Mns)	FY19	FY20	FY21	FY22	Sep-23
Inventory Rs Mns	2740.83	3300	2780	3608.85	4830
Raw materialsRs Mns	5336.86	4023.29	2723.7	3095.58	3964 annualised
Inventory Days on RM	187	299	373	426	445

Quarterly Performance Analysis (standalone)

Exhibit 1

Particulars Rs Mns (Standalone)	Q4FY23	Q4FY22	YOY	Q3FY23	QoQ
Revenue from Operations	26,513	21,814	22%	33,589	-21%
Other Income	330	249	33%	271	22%
Total Income	26,843	22,063	22%	33,859	-21%
COGS	12,313	9,905	24%	15,666	-21%
<i>% of sales</i>	46.44%	45.41%		46.64%	
Employee Benefit Expense	3,433	2,673	28%	3,642	-6%
<i>% of sales</i>	12.95%	12.25%		10.84%	
Other Expenses	6,410	4,141	55%	7,085	-10%
<i>% of sales</i>	24.18%	18.98%		21.09%	
Rent	2,103	1,382	52%	2,686	-22%
<i>% of sales</i>	7.93%	6.34%		8.00%	
Total expenses	24,260	18,101	34%	29,079	-17%
<i>% of sales</i>	91.50%	82.98%		86.57%	
EBITDA excluding other income	2,253	3,713	-39%	4,510	-50%
<i>EBITDA MARGINS</i>	8.50%	17.02%		13.43%	
EBITDA including other income	2,583	3,962	-35%	4,780	-46%
<i>EBITDA Margins</i>	9.62%	17.96%		14.12%	
Depreciation	3,098	2,505	24%	2,875	8%
EBIT	(515)	1,457	-135%	1,905	-127%
Finance costs	1,235	849	45%	1,176	5%
Exceptional items					
PBT reported	(1,750)	608	-388%	729	-340%
Tax Expense	(469)	111		160	
<i>Tax Rate</i>	27%	18%		22%	
Adjusted PAT	(1,281)	497		569	
<i>NPM</i>	-4.77%	2.25%		1.68%	
Equity	9488	9383		9487	
Face Value	10	10		10	
Number of Shares	949	938		949	
Basic EPS	-1.3	0.53		0.60	

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Particulars (Rs. Bn)	FY25
Lifestyle Business	
Sales	89378
EBITDA	15194
Margins	17.0%
EV/EBITDA (x)	13
EV	197524
Pantaloons	
Sales	51448
EBITDA	7460
Margins	14.5%
EV/EBITDA (x)	10
EV	74600
Other Business	
Sales	21123
EV/Sales (x)	1
EV	21123
Ethnic wear	
Sales	11952
EV/Sales (x)	1
EV	11952
Total EV	305198
Debt + Lease Liability	68597
Cash	7409
Equity Value	244010
No of shares (fully diluted)	1015
Per share	241
CMP	190
Upside (%)	27%

(TCNS acquisition not considered)

Valuation:

The long-term vision of the company with a target to reach Rs50bn in Ethnic wear through various acquisitions, TCNS being a recent one, is ambitious and big.

However TCNS acquisition comes with a possible additional Debt burden in the range of Rs 7-8bn (over and above the additional money coming in from GIC); which will keep Debt/EBITDA position remaining elevated at 3x.

Additionally post open offer, TCNS will be merged in ABFRL which would lead to equity dilution to the extent of 5%.

Post this announcement on 05-May-2023, the stock has seen ~15% correction and is trading almost at 52-week -low(it has come back to where it was in FY21)

Due to the above reasons we expect the stock to get re-rated downwards and a very strong upside in the short-to-medium term basis is difficult, despite a promising long-term story.

We have reworked our estimates and down-grade our target multiple. We maintain BUY with a revised target price of Rs 241.

Financial

Profit and Loss (Rs. Mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	51,811	78,242	117,369	141,258	161,948
Cost of sales	45,868	67,447	101,421	120,953	138,378
Operating Profit	5,943	10,795	15,948	20,305	23,570
Depreciation	9,450	9,469	11,145	13,974	16,065
PBIT	(3,507)	1,326	4,803	6,332	7,505
Other income	726	941	1,102	1,377	1,432
Interest	4,984	3,402	4,242	5,031	5,778
Profit before tax	(7,764)	(1,135)	1,663	2,677	3,159
Exceptional and Extra Ordinary share of profit/loss in JV	-	-	-	-	-
PBT (Post Extra Ordinary)	(7,764)	(1,135)	1,663	2,677	3,159
Provision for tax	(1,268)	(328)	337	675	796
Reported PAT	(6,496)	(807)	1,325	2,002	2,363
MI	-	-	-	-	-
Adjusted PAT	(6,496)	(807)	1,325	2,002	2,363

Source: Dalal & Broacha Research, Company

Balance Sheet	FY21	FY22	FY23	FY24E	FY25E
Equity capital	9,151	9,383	9,488	10,146	10,146
Reserves	17,695	19,439	28,381	48,725	51,089
Net worth	26,846	28,821	37,869	58,871	61,234
Minority Interest	-	-	-	-	-
Non Current Liabilites	29,642	31,203	51,431	57,583	64,708
Current Liabilites	39,914	55,990	65,433	62,951	70,921
CAPITAL EMPLOYED	96,402	116,014	154,732	179,406	196,864
Non Current Assets	60,904	65,844	90,356	100,936	110,120
Fixed Assets	26,814	29,529	45,311	54,994	63,474
Non Current Investments	6,895	8,351	14,011	14,011	14,011
Non Current tax assets	216	204	21	21	21
Long Term Loans and Advances	26	36	12	12	13
Other NON Current Assets	2,108	2,521	5,238	5,762	6,105
Goodwill	18,596	18,596	18,596	18,596	18,596
Deferred Tax Assets	3,212	3,531	3,166	3,166	3,166
Security Deposits	3,037	3,076	4,001	4,374	4,734
Current Assets	35,497	50,170	64,377	78,470	86,744
Current investments	2,995	5,374	1,500	1,500	1,500
Inventories	17,429	27,292	37,640	45,280	51,912
Trade Receivables	5,999	7,544	8,351	11,610	13,311
Cash and Bank Balances	1,645	1,079	6,430	8,579	7,409
Short Term Loans and Advances	65	68	263	290	319
Other Current Assets	7,364	8,811	10,192	11,211	12,293
Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	(6,496)	(807)	1,325	2,002	2,363
Add: Dep. & Amort.	9,450	9,469	11,145	13,974	16,065
Minority Interest	-	-	-	-	-
Cash profits	2,954	8,661	12,470	15,976	18,429
(Inc)/Dec in					
-Sundry debtors	2,403	(1,545)	(807)	(3,259)	(1,701)
-Inventories	6,065	(9,863)	(10,348)	(7,640)	(6,632)
-Loans/advances	15	(14)	(170)	(27)	(30)
-Current Liab and Provisions	(3,208)	14,439	11,117	353	6,602
- Other Assets	(1,809)	(1,849)	(3,914)	(1,543)	(1,425)
- Non Current security Deposit	(48)	(38)	(925)	(373)	(360)
Change in working capital	3,418	1,130	(5,048)	(12,489)	(3,546)
CF from Oper. activities	6,372	9,791	7,422	3,487	14,883
CF from Inv. activities	(17,411)	(14,034)	(18,019)	(14,089)	(16,052)
CF from Fin. activities	10,034	3,677	15,948	12,750	-
Cash generated/(utilised)	(1,005)	(566)	5,351	2,148	(1,169)
Cash at start of the year	2,651	1,645	1,079	6,430	8,579
Cash at end of the year	1,645	1,079	6,430	8,579	7,409

Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	11	14	14	14	15
NPM	(12)	(1)	1	1	1
Tax rate	16	29	20	25	25
Growth Ratios (%)					
Net Sales	(41)	51	50	20	15
Operating Profit	(51)	82	48	27	16
PBIT	(201)	(138)	262	32	19
PAT	351	(88)	(264)	51	18
Per Share (Rs.)					
Net Earnings (EPS)	(7)	(1)	1	2	2
Cash Earnings (CPS)	3	9	13	16	18
Dividend	-	-	-	-	-
Book Value	29	31	40	58	60
Free Cash Flow	(12)	(5)	(11)	(10)	(1)

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