Aditya Birla Fashion Retail Ltd (ABFRL)

Q4FY25 Result Update | Retail

Focus on profitable growth

DALAL & BROACHA STOCK BROKING PVT. LTD.

Institutional Equity Research Desk

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De-merged ABFRL Key financial highlights:

- Revenue (consolidated) grew 9% YoY to Rs 1,719Mn while revenue de-grew 22% on a QoQ basis
- EBIDTA margins stood at 17.2% as against 6.2% YoY driven by Panaloons
- Loss for Q4FY25 at Rs 1,610Mn vs loss of 2,870Mn YoY

Outlook:

ABLBL

- Plan to open 300 stores 200 would be driven by own capex and 100 partnered.
- Debt at Rs 9.5bn which with a repayment targeted in the next 2 to 3 years. Finance cost should come down by Rs 500-600 mn next year, but the Ind-AS impact will continue
- ABLBL, backed by a robust portfolio of over 3,200 stores and healthy free cashflow, is positioned to double in scale and expand margins meaningfully over the next five years, with 300-plus stores (in-lifestyle brands) already in the pipeline for FY26.

Demerged ABFRL

- **Pantaloons:** Management is targeting an additional 300 basis point margin expansion over the next two years. Plan to add 15 to 20 new stores FY26
- **Style Up:** Aims to scale up to 300+ stores within the next three years (50 stores in FY26),
- **Ethnics:** Expected to see significant EBITDA improvement in FY26 for TCNS. Both Tasva and TCNS, currently loss-making, aim to achieve double-digit margins within the next three to four years.
- **CAPEX plans:** ABFRL expects an ongoing annual Capex of around Rs 4bn, with FY26 projected at Rs5bn, including a one-time investment of Rs 1bn for Galleries.

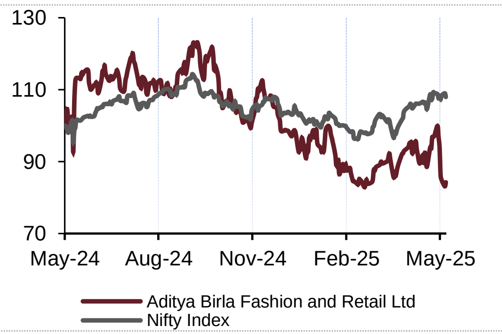
Rating	TP (Rs)	Up/Dn (%)
BUY	**102**	**16**

Market data

Current price	**Rs**	**88**
Market Cap (Rs.Bn)	(Rs Bn)	107
Market Cap (US$ Mn)	(US$ Mn)	1,261
Face Value	Rs	10
52 Weeks High/Low	Rs	132.82 / 84.28
Average Daily Volume	('000)	15,642
BSE Code		535755
Bloomberg		ABFRL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-25	Dec-24
Promoters	47	47
Public	53	53
Others		
Total	**100**	**100**

Source: BSE

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A. Aditya Birla Lifestyle Brands Limited (ABLBL)

- Performance was industry-leading with retail like-to-like growth @ 9% in Q4 FY25 followed by 12% in Q3FY25 (a 3rd consecutive quarter of positive LTL). Recorded 200bps margin improvement, with rationalization of low margin channels

- ***All lifestyle brands now @ Rs 10bn+:*** with 2 brands above Rs 20bn. Plan to open 300 stores 200 would be driven by own capex and 100 partnered.

- **Exceptional loss:** of Forever-21 closure stood at Rs 980mn

- ***Business other than lifestyle brands:*** a) American Eagle has grown in double-digit in FY25. b) Reebok is also growing profitably, and is expected to witness network expansion over the coming quarters, C) Innerwear profitability is important over just growth.

- Debt at Rs 9.5bn which with a repayment targeted in the next 2 to 3 years. Finance cost should come down by Rs 500-600 mn next year, but the Ind-AS impact will continue

- ABLBL, backed by a robust portfolio of over 3,200 stores and healthy free cashflow, is positioned to double in scale and expand margins meaningfully over the next five years, with 300-plus stores (in-lifestyle brands) already in the pipeline for FY26.

ABFRL: (Demerged)

- Despite a tough consumption environment, profitability improved recording with EBIDTA margins doubling.

- **Pantaloon:** Pantaloons has delivered a strong performance, expanding its EBITDA margin by 480 basis points to 15.1% in the latest quarter. This improvement was driven by lower markdowns, a higher share of private-label products, and cost optimization—rather than just store closures.

- Looking ahead, management is targeting an additional 300 basis point margin expansion over the next two years. Plan to add 15 to 20 new stores FY26, focusing on larger locations in metro cities and Tier 1 towns.

- **Style-Up:** ABFRL's value retail format, continues its rapid expansion, growing to 46 stores with 7 new openings in Q4 FY'25. The brand posted 70% revenue growth for the full year and aims to scale up to 300+ stores within the next three years (50 stores in FY26), reinforcing its strong momentum in the value fashion space. Style-up will lead to some margin dilution for pantaloon.

- **Ethnic portfolio:** continues to be a strong growth driver, reporting Rs 5640 mn revenue in Q4FY25, a 90% YOY increase, with EBITDA margins expanding 700 basis points to 10.1%. The designer business, including Sabyasachi, Tarun Tahiliani, House of Masaba, and Shantnu & Nikhil, saw 46% YOY growth, with most brands hitting record quarterly revenues. Tasva posted 50% YOY sales growth, with plans to scale from 70 to 200 stores in the next three years. TCNS, despite a Q4 revenue dip due to distribution rationalization, recorded 4% LTL growth for the full year and is expected to see significant EBITDA improvement in FY26. Both Tasva and TCNS, currently loss-making, aim to achieve double-digit margins within the next three to four years.

- **Luxury Retail:** segment, including The Collective and mono brand formats, saw 11% growth in Q4 FY25, fueled by strong e-commerce performance. The business has consistently delivered double-digit growth, with profitability steadily improving, reinforcing its position in the premium fashion space.

- **Digital First Brands:** ABFRL's Tomorrow portfolio of digital-first brands posted 27% YOY growth in Q4, with improving margins. Management remains confident in its long-term potential and is seeking external funding, expecting progress within FY26. Profitability may take a year longer than FY'27 compared to other segments.

- **Working Capital:** ABFRL's net working capital remains negative post-demerger, driven by Pantaloons' near-zero working capital. Other segments maintain single to early double-digit ratios, keeping inventory and receivables balanced. Overall, net working capital is estimated at 5%-6% of sales, ensuring strong cash flow and financial agility.

- Additionally financial costs will come down significantly due to the shift from debt to cash, resulting in no finance charge this year

- **CAPEX plans:** ABFRL expects an ongoing annual Capex of around Rs 4bn, with FY26 projected at Rs5bn, including a one-time investment of Rs 1bn for Galleries. This strategic allocation supports expansion and brand development across key business segments.

Quarterly Performance Analysis (consolidated)

ABFRL	Q4FY25	Q4FY24	*YOY*	Q3FY25	*QoQ*
Revenue from Operations	17,195	15,751	*9%*	22,005	-22%
Other Income	959	571	*68%*	349	174%
Total Income	**18,154**	**16,323**	*11%*	**22,355**	-19%
COGS	6,330	7,134	*-11%*	9,502	-33%
% of sales	*36.82%*	*45.29%*		*43.18%*	
GROSS MARGINS	**63.18%**	**54.71%**		**56.82%**	
Employee Benefit Expense	2,822	2,751	*3%*	3,179	-11%
% of sales	*16.41%*	*17.46%*		*14.45%*	
Other Expenses	5,609	4,879	*15%*	5,704	-2%
% of sales	*32.62%*	*30.98%*		*25.92%*	
Rent	385	638	*-40%*	604	-36%
% of sales	*2.24%*	*4.05%*		*2.75%*	
Total expenses	15,146	15,402	*-2%*	18,989	-20%
% of sales	*88.08%*	*97.78%*		*86.29%*	
EBITDA excluding other income	**2,049**	**349**	*487%*	**3,017**	-32%
EBIDTA MARGINS	**11.92%**	**2.22%**		**13.71%**	
EBITDA including other income	**3,008**	**921**	*227%*	**3,366**	-11%
EBIDTA Margins	16.57%	5.64%		15.06%	
Depreciation	3,016	2,874	*5%*	3,007	0%
EBIT	(8)	(1,954)		359	
Finance costs	1,434	1,520		1,507	
PBT reported	**(1,496)**	**(3,418)**		**(1,238)**	
PAT reported	**(1,609)**	**(2,874)**		**(1,059)**	
NPM	*-8.86%*	*-17.61%*		*-4.74%*	

Source: Dalal & Broacha Research, Company

Valuation & Outlook

(ABFRL) Demerged	
Pantaloons	**FY27**
Sales	50,435
EBITDA	8,826
Margins	17.5%
EV/EBITDA (x)	13
EV	114,740
Ethnic wear	
Sales	33,056
EBITDA	2,810
Margins	8.5%
EV/EBITDA (x)	6
EV	16,859
TMRW	
Sales	12,760
EV/Sales (x)	1
EV	12,760
Others	
Sales	6,837
EV/Sales (x)	1
EV	6,837
Total EV	**151,196**
Debt + Lease Liability	50,170
Cash	23,670
Equity Value	**124,696**
No of shares (fully diluted)	1,220
Per share	**102**
CMP	**88**
Upside (%)	**16%**

Valuation:

ABFRL has strengthened its balance sheet with Rs 23.6 billion in cash, positioning itself for aggressive expansion across high-growth fashion segments over the next 2-3 years, excluding external funding for 'Tomorrow.' The company aims to triple revenue and double profit margins in five years by scaling its presence in ethnic wear, value retail, luxury fashion, and digital-first brands. A key profitability driver will be the turnaround of loss-making businesses, including TCNS, Tasva, and Tomorrow, ensuring sustainable growth and enhanced financial performance.

Independently, every business within ABFRL is expected to achieve profitability by FY27, with 'Tomorrow' potentially taking a year longer.

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