

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	88
12 month price target (INR)	84
52 Week High/Low	133/84
Market cap (INR bn/USD bn)	106/1.2
Free float (%)	51.7
Avg. daily value traded (INR mn)	866.5

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	46.58%	49.24%	49.25%
FII	22.20%	18.35%	19.68%
DII	14.65%	14.56%	14.76%
Pledge	0%	0%	0%

FINANCIALS

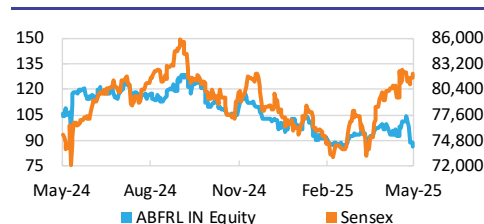
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	64,415	73,547	81,855	90,790
EBITDA	3,700	6,764	8,819	9,819
Adjusted profit	(7,359)	(4,558)	(2,736)	693
Diluted EPS (INR)	(7.2)	(3.7)	(2.2)	0.6
EPS growth (%)	0	(48.5)	(40.0)	nm
RoAE (%)	(36.6)	(8.4)	(4.1)	1.1
P/E (x)	nm	nm	nm	155.0
EV/EBITDA (x)	10.1	1.0	1.5	1.6
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	81,855	90,790	NA	NA
EBITDA	8,819	9,819	NA	NA
Adjusted profit	(2,736)	693	NA	NA
Diluted EPS (INR)	(2.2)	0.6	NA	NA

PRICE PERFORMANCE



Missing growth in core portfolio

Post-demerger, ABFRL now includes Pantaloons, Ethnic, Luxury Collective and the digital-first 'TMRW' brands. While new segments are showing a significant improvement, core portfolio growth is still lagging. Profitability has improved broadly due to initiatives such as lower markdowns and store closures. However, given the realisation of these low-hanging fruits, further margin expansion relies on operating leverage, which is not yet evident.

We are adjusting and removing the demerged business from our estimates and ascribing an SotP valuation to the different parts of the business, yielding a revised TP of INR84. Downgrade the stock to 'HOLD' from 'BUY' given that the business is fairly valued.

ABFRL: New age portfolio with touch of Pantaloons

Demerged ABFRL, housing Pantaloons, Ethnic, the luxury and digital portfolio, clocked revenue growth of 9.2% YoY, driven by strong growth of the Ethnic and digital portfolio. Pantaloons and Style Up segment posted a contraction of 1% YoY, driven by LTL of -1.6% YoY. Management carried out a store rationalisation drive and closed about 12 stores on a net basis and 50-plus stores on a gross basis in FY25. EBITDA growth was strong with margins improving from 2.2% in Q4FY24 to 11.9% in Q4FY25 because of a stronger performance in the Ethnic portfolio, driven by higher productivity and a continuing margin improvement trajectory in Pantaloons, driven by lower markdowns and cost optimisations. PAT losses more than halved on the back of higher flow through from EBITDA. On Style Up, management plans to add 25–30 stores during the current year and cumulatively about 250 stores over the next two–three years.

ABLBL: House of legacy brands

The new entity ABLBL clocked slower growth of 2.5% YoY, driven by 4% growth in the Madura portfolio and slower 2.7% growth in the other segment, housing the American Eagle, Reebok and VH Innerwear portfolio. On top of this, an inter-segment elimination negated revenue growth, but helped bump up gross margin. The segment posted a stark improvement in gross margin driven by lower markdowns and improvement in product assortment on top of the benefit of inter-segment elimination. PAT at the ABLBL segment posted a significant expansion due to the non-provisioning of depreciation of INR1.48bn on an asset held in demerger, which will be provided for on the demerged ABLBL books. On demerger, this entity would have debt of INR70–8bn, which shall be repaid over the next two–three years.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	17,195	15,751	9.2	22,005	(21.9)
EBITDA	2,049	349	486.6	3,017	(32.1)
Adjusted Profit	(169)	(2,296)	(92.7)	(513)	(67.1)
Diluted EPS (INR)	(0.1)	(2.3)	(93.9)	(0.5)	(71.1)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	64,415	73,547	81,855	90,790
Gross profit	33,479	41,777	45,839	50,843
Employee costs	10,061	11,422	12,688	14,073
Other expenses	17,406	21,539	22,241	24,819
EBITDA	3,700	6,764	8,819	9,819
Depreciation	10,169	11,664	10,141	7,942
Less: Interest expense	5,517	5,674	3,308	2,655
Add: Other income	1,377	1,957	1,894	1,471
Profit before tax	(10,481)	(8,795)	(2,736)	693
Prov for tax	(1,411)	(942)	0	0
Less: Other adj	1,711	3,295	0	0
Reported profit	(7,359)	(4,558)	(2,736)	693
Less: Excp.item (net)	0	0	0	0
Adjusted profit	(7,359)	(4,558)	(2,736)	693
Diluted shares o/s	1,015	1,220	1,220	1,220
Adjusted diluted EPS	(7.2)	(3.7)	(2.2)	0.6
DPS (INR)	0	0	0	0
Tax rate (%)	13.5	10.7	0	0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Pantaloon SSSG (%)	(5.0)	(1.6)	2.0	4.0
Pantaloon store	0	0	0	0
EBITDA margin (%)	5.7	9.2	10.8	10.8
Net profit margin (%)	(11.4)	(6.2)	(3.3)	0.8
Revenue growth (% YoY)	0	14.2	11.3	10.9
EBITDA growth (% YoY)	0	82.8	30.4	11.3
Adj. profit growth (%)	0	(38.1)	(40.0)	nm

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.5	6.3	6.5	6.5
Repo rate (%)	6.5	5.3	5.3	5.3
USD/INR (average)	84.0	85.0	85.0	85.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	nm	nm	nm	155.0
Price/BV (x)	2.2	1.6	1.6	1.6
EV/EBITDA (x)	10.1	1.0	1.5	1.6
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	10,150	12,203	12,203	12,203
Reserves	30,074	55,919	53,183	53,875
Shareholders funds	40,224	68,122	65,385	66,078
Minority interest	6,872	11	11	11
Borrowings	42,052	14,386	15,582	16,028
Trade payables	41,313	22,423	25,211	27,963
Other liabs & prov	16,696	7,855	8,568	9,335
Total liabilities	2,17,904	1,63,940	1,58,838	1,58,018
Net block	13,375	8,360	12,291	14,902
Intangible assets	62,309	55,859	55,859	55,859
Capital WIP	1,711	1,812	1,812	1,812
Total fixed assets	77,394	66,031	69,962	72,573
Non current inv	9,310	6,230	6,230	6,230
Cash/cash equivalent	4,624	7,731	2,445	317
Sundry debtors	12,828	3,734	4,156	4,610
Loans & advances	106	32	36	40
Other assets	69,608	49,113	53,367	57,452
Total assets	2,17,904	1,63,940	1,58,838	1,58,018

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	(8,289)	(4,874)	(2,736)	693
Add: Depreciation	16,552	18,074	10,141	7,942
Interest (net of tax)	7,766	8,448	3,308	2,655
Others	(512)	(2,069)	(1,436)	(1,663)
Less: Changes in WC	(1,673)	(2,782)	(24)	(125)
Operating cash flow	13,414	16,438	9,301	9,752
Less: Capex	(7,411)	(5,927)	3,809	3,932
Free cash flow	20,825	22,365	5,492	5,819

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	(36.6)	(8.4)	(4.1)	1.1
RoCE (%)	(11.4)	(3.4)	0.7	4.1
Inventory days	266	400	265	268
Receivable days	36	41	18	18
Payable days	244	366	241	243
Working cap (% sales)	38.1	32.8	30.9	29.0
Gross debt/equity (x)	0.9	0.2	0.2	0.2
Net debt/equity (x)	0.8	0.1	0.2	0.2
Interest coverage (x)	(1.2)	(0.9)	(0.4)	0.7

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	0	(48.5)	(40.0)	nm
RoE (%)	(36.6)	(8.4)	(4.1)	1.1
EBITDA growth (%)	0	82.8	30.4	11.3
Payout ratio (%)	nm	nm	nm	0

Q4FY25 conference call: Key takeaways

Corporate developments and capital structure

- Completed the demerger of ABFRL into two entities: ABFRL and Aditya Birla Lifestyle Brands Limited (ABLBL). Shares of ABLBL to be listed by end-June'25.

ABLBL performance (new entity)

- Q4 revenue: INR18.59bn post-adjustment (normalised: INR19.42bn).
- FY25 revenue: INR78.3bn normalised (reported: INR76.19bn); EBITDA margin at 16.2%.
- Net debt: INR7.81bn; repayment targeted in two–three years.
- Lifestyle brands delivered +9% LTL growth in Q4 and 6%/7% reduction in retail area/store count, the third straight quarter of growth; FY25 revenue was INR65.75bn, EBITDA margin of 19.3%.
- Strategic retail expansion: Over 300 stores to be added in FY26.
- Innerwear business (Van Heusen): Focus shifting to profitability; ambitions remain intact, but scaling up calibrated post-Covid.

ABFRL highlights

- EBITDA: INR2.95bn (includes INR970mn one-off gain post-demerger); comparable EBITDA up 103% YoY to INR1.99bn; margin at 17.2%.
- Cash position: INR23.5bn; capex planned at INR4–5bn in FY26, including Galleries Lafayette (~INR 1bn).
- Strong capital position to fund all strategic priorities over the next few years.
- Demand outlook: The wedding season is aiding ethnic wear, but broader demand trends remain subdued with lower footfalls, winter wear underperformed while non-apparel and value continues to outperform. Another highlight was lower-tier markets have been doing better.

Segmental performance

Pantaloons

- Store addition plan: 15–20 new stores in FY26, focused on larger formats in metros and mini-metros.
- Margin expansion in Pantaloons is driven by improved gross margin (better product/markdown control), not just store closures.

Style Up (value retail)

- FY25 revenue growth: Growth in Style Up portfolio was at 70%-plus YoY (entirely led by store count growth from 27 to 46).
- Plan to scale up to 300-plus stores in three years.

Ethnic wear

- Designer portfolio (e.g. Sabyasachi and Masaba):** 46% growth in Q4, EBITDA margin >20%.

- **Tasva:** 50% YoY growth, 12% LTL growth; ~70 stores currently, targeted to scale up to 200.
- **TCNS:** Revenue declined in Q4 due to rationalisation; 4% FY LTL growth; expected to turn EBITDA positive (pre-Ind-AS) by FY27.

Luxury and digital

- **Luxury retail:** +11% in Q4; margin improvement continues.
- **Digital-first brands (TMRW):** +27% in Q4; focus on profitability and curated growth. Fundraise likely in FY26.

Capex and financials outlook

- **Capex:** INR4bn annually for ABFRL; FY26 outlay ~INR5bn including one-off for Galeries Lafayette.
- **Working capital:** Pantaloons has near-zero net working capital; overall, ABFRL continues with a lean WC structure.
- **Profitability targets:** Ex-TMRW, ABFRL to be EBITDA positive in FY26. Full portfolio likely to be profitable by FY27.
- **Style Up growth ambition:** Revenue target of INR20–50bn by FY30.

Exhibit 1: Ethnic performance tracker (excluding TCNS)

Sabyasachi	Jaypore	Shantanu & Nikhil	Tasva	House of Masaba
<ul style="list-style-type: none"> Revenue grew by 50% for FY23 over FY22. Jewellery business grew by 75% YoY. Launched a store in Mumbai in Apr'23 18% YoY growth in revenue led by jewellery (+33% YoY) and accessories in Q1FY24. +39% YoY growth in revenue, +18% LTL growth in Q2FY24 +43% YoY growth revenue, +42% LTL growth in Q3FY24 +56% growth in YoY revenue in Q4FY24. +42% growth in revenue in FY24 primarily led by the Jewellery segment. 25% growth in accessories. Retail LTL at 5% in Q1FY25. Jewellery grew by 8% during Q3FY25 Highest ever quarterly sales in Q4FY25 growing 15% YoY and consistent double- digit profitability 	<ul style="list-style-type: none"> Revenue growth of 3.5xYoY in Q1FY23 Revenue growth of 80% YoY in Q2FY23 Revenue growth of 80% YoY in Q2FY23 Revenue growth of 90% for FY23 YoY Revenue growth of 53% YoY in Q1FY24 Revenue growth of 49% YoY in Q2Y24 Revenue growth of 10% YoY in Q3Y24 Revenue growth of +5% in FY24. 12% growth in Q1FY25 Revenue up 15% YoY with retail LTL at 6% in Q2FY25. Revenue up 14% YoY with network expansion and higher realization in Q3FY25. Scale driven operating leverage improving profitability, grew 14% YoY in Q4FY25 	<ul style="list-style-type: none"> Revenue growth of 2x YoY in Q1FY23 Revenue growth of 1.5xYoY in Q2FY23 Revenue growth of 1.43xYoY in Q3FY23 Intends to maintain the pace of ramp-up Revenue de-growth of 53% for FY23 YoY Revenue growth of 20% YoY for Q1FY24 Revenue growth of 33% YoY for Q2FY24. 45% LTL in the bridal segment and 75% growth in Women's wear Revenue growth of +30% YoY for Q3FY24. Pret label grew by +42% with +20% LTL. Revenue growth of +21% in FY24. Pret Label grew +45% YoY in FY24 with +16% LTL Pret label S&N grew by 12% in Q1FY25 Sales up 10% in Q2FY25. Pret label S&N grew by 24%. Pret label S&N grew by 24% in Q3FY25. Pret label S&N grew by 20% in Q4FY25. 	<ul style="list-style-type: none"> Aim to touch 70 stores by FY23 end. 4 stores opened via franchisee model. 2 new stores opened via franchisee model. 1 new store opened via franchisee model. 129% growth YoY. Revenue growth of 100% YoY for Q3FY24. 8 stores added during the quarter. Crossed Rs1bn in annual sales in FY24, doubled over the previous year. Sales up 79% YoY. Retail LTL at 26% in Q2FY25 Sales up 50% YoY. Retail LTL at 18% in Q3FY25 Sales up 51% YoY. Retail LTL at 12% in Q4FY25 	<ul style="list-style-type: none"> Revenue growth of 66% YoY in Q3FY23 Launched its beauty and personal care line under the brand 'Lovechild' Revenue growth of 11% YoY for Q1FY24 (Fashion business grew +18% and retail business grew 31% YoY) Revenue growth of +18% YoY in Q2FY24 Revenue growth of +16% YoY in Q3FY24. The beauty business forms 19% of the overall business. Revenue growth of +40% YoY in FY24. Beauty segment grew 4x of the previous year. Sales up 75% YoY in Q1FY25 Sales up 123% YoY in Q2FY25 Sales more than doubled YoY, with Lovechild at >4x YoY and fashion grew by 71% YoY. Beauty Brand 'Lovechild' grew 4x and fashion grew 21% YoY in Q4FY25

Source: Company, Nuvama Research

Exhibit 2: Performance summary—ABFRL (INR mn)

ABFRL	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<u>Pantaloons</u>												
Revenues (INRmn)	10,270	10,940	11,590	7,980	10,300	10,210	12,970	8,950	11,010	10,820	13,050	8,850
Revenues growth (%)	367	65	9	18	0	(7)	12	12	7	6	1	(1)
EBITDA (INR mn)	2,180	1,760	1,680	710	1,380	1,030	2,347	931	1,938	1,620	2,520	1,340
EBITDA growth (%)	NM	41	(22)	(13)	(37)	(41)	40	31	40	57	7	44
EBITDA margin (%)	21.2	16.1	14.5	8.9	13.4	10.1	18.1	10.4	17.6	15.0	19.3	15.1
SSG (%)	-	-	1.2	13.0	(8.0)	(15.0)	3.0	1.0	2.0	1.3	-	(1.6)
Store count (Nos.)	375	396	406	431	434	439	446	417	417	417	412	405
<u>Ethnic</u>												
Revenues (INRmn)								4,740				5,640
Revenues growth (%)												19.0
EBITDA (INR mn)								150				570
EBITDA growth (%)												280.0
EBITDA margin (%)								3				10
<u>TMRW</u>												
Revenues (INRmn)								1,140				1,450
Revenues growth (%)												27.2
EBITDA (INR mn)								(500)				(380)
EBITDA growth (%)												NM
EBITDA margin (%)								(44)				(26)

Source: Company, Nuvama Research

Exhibit 3: Ethnic network (ex TCNS)

	Sep-22	Dec'22	Mar'23	Jun'23	Sep'23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Jaypore	13	15	18	20	22	25	25	27	27	27	29
S&N	14	15	15	16	18	19	21	20	20	20	21
Tasva	21	32	51	58	59	67	57	63	66	67	67
House of Masaba				11	12	14	15	16	17	19	20

Source: Company, Nuvama Research

Pantaloon remains the most critical asset within the demerged ABFRL entity. However, there has been limited indication of growth acceleration in this format so far. The recent margin improvement primarily stems from store network rationalisation, a strategy that appears to have been fully utilised by FY25. Given that retail demand in the apparel sector continues to be weak amid intense competition, we anticipate margin pressures may re-emerge as revenues grow. Consequently, we are revising downward our target multiples across all business segments. Moving forward, a key focus will be on how ABFRL manages to sustain a healthy balance sheet while pursuing store network expansion.

Exhibit 4: Valuation summary

	Methodology	FY27	Target Multiple	
Pantaloon	EV/EBITDA	9,819	8	78,554
Ethnic	EV/Sales	26,392	1	26,392
TMRW	EV/Sales	11,002	1	11,002
Others	EV/Sales	6,256	1.5	9,384
Enterprise Value (INR mn)				1,25,331
Less: Debt FY27E				16,028
Less: Lease Liabilities FY27E				23,241
Add: Cash FY27E				16,259
Core business market cap (INR mn)				1,02,321
NOSH				1,220
Value (INR/Share) - Mar-26				84
CMP (INR)				88
Upside (%)				-5%

Source: Company, Nuvama Research

Exhibit 5: Quarterly summary—ABFRL

Year to March	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ
Net revenues	17,195	15,751	9.2	22,005	(21.9)
Other operating income					
Total income	17,195	15,751	9.2	22,005	(21.9)
Cost of goods sold	6,330	7,134	(11.3)	9,502	(33.4)
Employee cost	2,822	2,751	2.6	3,179	(11.2)
Other Expenditure	5,993	5,517	8.6	6,308	(5.0)
Total expenditure	15,146	15,402	(1.7)	18,989	(20.2)
EBITDA	2,049	349	486.6	3,017	(32.1)
Depreciation	3,016	2,874	4.9	3,007	0.3
EBIT	(967)	(2,525)	NM	10	NM
Interest Expense	1,434	1,520	(5.7)	1,507	(4.9)
Other income	959	571	67.8	349	174.5
Profit Before Tax	(1,442)	(3,474)	NM	(1,148)	NM
Provision for Tax	113	(544)	NM	(178)	NM
Minority Interest	(67)	(368)	NM	90	NM
Share of profit from associates	(54)	56	NM	(89)	NM
Exceptional items	1,374	210		636	
Reported Profit	(169)	(2,296)	NM	(513)	NM
No. of Shares outstanding (mn)	1,220	772	58.1	774	57.8
Adjusted Diluted EPS	-0.1	(3.0)	NM	-0.7	NM
as % of net revenues					
COGS	36.8	45.3	(18.7)	43.2	(14.7)
Staff expenses	16	17	(6.0)	14	13.6
Other Expenditure	35	35	(0.5)	29	21.6
EBITDA	11.9	2.2	437.3	13.7	(13.1)
EBIT	(6)	(16)	NM	0	NM
PBT	(8.4)	(22.1)	NM	(5.2)	NM

Source: Company, Nuvama Research

Company Description

In May 2015, ABFRL came into being following consolidation of ABNL's branded apparel business of Madura and Pantaloons. Post consolidation, Pantaloons was renamed Aditya Birla Fashion and Retail (ABFRL). Now with Madura brands reaching self sufficiency stage, Management's decision to demerge the portfolio into a separate entity will be a core value unlocking for the shareholders. The new entity is expected to list by end of June and the ABFRL entity now houses Pantaloons, Ethnic, Digital First TMRW brands, and the Luxury collective.

Pantaloons brand is now present in 78 plus Indian cities/towns through >405 stores.

Investment Theme

Aditya Birla Fashion and Retail (ABFRL) is one of the largest branded clothing players ABFRL has ventured into fast fashion via Style Up and has multiple brands under its Premium ethnic, designer Ethnic, Digital first brands. The scale up of the Ethnic brands and the digital first brands has been commendable and places a compelling story to invest.

Key Risks

Slow GDP revival leading to lower traction in discretionary spending

While foreign brands such as Zara, Tommy Hilfiger, etc., have already established themselves, other brands such as H&M, GAP, among others, are venturing in the Indian market thereby heightening competition.

Additional Data

Management

MD	Ashish Dikshit
CEO - Pantaloons	Sangeeta Pendurkar
CFO	Jagdish Bajaj
Auditor	Price Waterhouse & Co

Holdings – Top 10*

% Holding		% Holding	
Caladium Invest	5.39	TATA Asset AMC	0.80
Quant Money man	4.61	Aditya Birla Su	0.79
SBI Life Insura	2.48	FMR LLC	0.78
Vanguard Group	1.52	Blackrock	0.56
Nippon Life Ind	1.36	ICICI Pru Life	0.53

*Latest public data

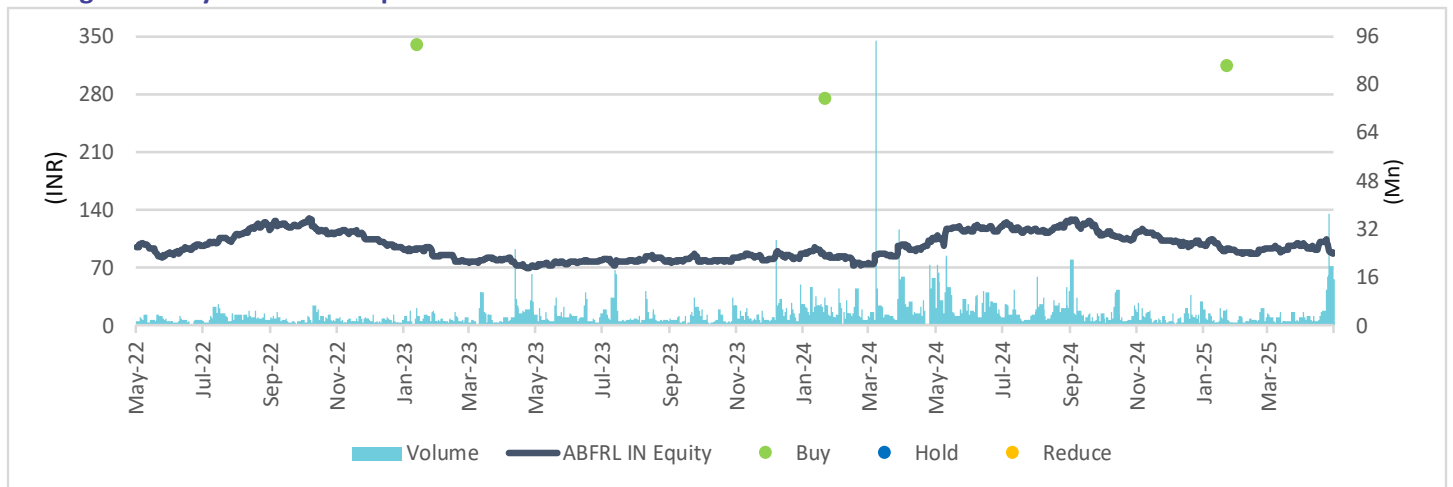
Recent Company Research

Date	Title	Price	Reco
03-Apr-25	Focus on profitable growth; <i>Company Update</i>	264	Buy
17-Feb-25	Unusually quiet quarter; <i>Result Update</i>	255	Buy
08-Nov-24	Slower H1; hopes high for better H2 ; <i>Result Update</i>	297	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
24-May-25	Devayani International	Core portfolio delivers muted showing; <i>Result Update</i>
23-May-25	Metro	Cost control offsets soft revenue growth; <i>Result Update</i>
20-May-25	Electronics Mart	Muted showing impacts margins ; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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