

Aditya Birla Fashion and Retail

Bloomberg	ABFRL IN
Equity Shares (m)	1220
M.Cap.(INRb)/(USDb)	105.9 / 1.2
52-Week Range (INR)	133 / 84
1, 6, 12 Rel. Per (%)	-14/-26/-27
12M Avg Val (INR M)	1375

Financials & Valuations (INR b)

INRb	FY25	FY26E	FY27E
Sales	73.5	81.6	91.3
EBITDA	6.8	7.2	8.6
Adj. PAT	-7.5	-5.1	-3.3
EBITDA Margin (%)	9.2	8.8	9.4
Adj. EPS (INR)	-6.1	-4.2	-2.7
BV/Sh. (INR)	67.1	62.1	58.8

Ratios

Net D:E	0.2	0.2	0.3
RoE (%)	-13.0	-7.7	-5.4
RoCE (%)	-2.0	-1.1	0.5

Valuations

P/E (x)	-14.2	-20.9	-31.9
EV/EBITDA (x)	19.0	18.0	15.5
EV/Sales (x)	1.7	1.6	1.5
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	46.6	49.2	51.9
DII	14.6	14.6	14.8
FII	22.6	18.8	20.0
Others	16.2	17.4	13.4

FII Includes depository receipts

CMP: INR87

TP: INR100 (+15%)

Neutral

Better profitability drives beat; sustained profitability is key

- Aditya Birla Fashion and Retail's (ABFRL) combined revenue grew 6% YoY, driven primarily by robust growth in ABFRL (demerged). EBITDA increased significantly, driven by improved profitability in Ethnic and Pantaloons and demerger-related adjustments.
- ABFRL (demerged) revenue grew 9% YoY, driven by strong performance in Ethnic (+19% YoY) and TMRW (+27% YoY), while Pantaloons posted a 1% YoY decline. EBITDA improved sharply on account of ~470bp margin expansion in Pantaloons and significant margin expansion to ~10% in Ethnic.
- Aditya Birla Lifestyle Brands (ABLBL) delivered ~2.5% revenue growth on the back of ~9% retail LTL for Lifestyle Brands and ~24% EBITDA growth driven by ~285bp margin expansion on reduced markdowns, better channel mix, etc.
- Management has laid out ambitious long-term growth and profitability targets for both ABFRL (demerged) and ABLBL. An improved execution toward sustained profitability and meeting these targets remain key for re-rating.
- Our ABFRL model now encompasses Pantaloons (incl. Style Up), Ethnic, TMRW and Luxury Retail. Our estimates aren't comparable with our earlier estimates.
- We build in a CAGR of 11%/13% in revenue/EBITDA over FY25-27E for ABFRL, driven by robust growth and improved profitability in TMRW and Ethnic. However, we still expect ABFRL to report losses over FY25-27E.
- We value ABFRL on the SOTP basis. We assign EV/EBITDA multiple of 13x to Pantaloons and EV/sales of 1x to other businesses of ABFRL (demerged) on FY27E. We **reiterate our Neutral rating with a TP of INR100.**

Consol. ABFRL performance ahead of estimates on better gross margin

ABFRL's reported financials are not strictly comparable QoQ, YoY and with our estimates due to the demerger of ABLBL (shown as discontinued operations).

- Revenue **grew ~6% YoY** to INR36b (vs. our est. INR35.1b), driven by ~9% YoY growth in ABFRL (demerged), while ABLBL reported ~2.5% YoY growth.
- Gross profit at INR22.3b, grew 17% YoY (13% ahead) as **gross margin improved ~605bp YoY** to 61.9% (560bp beat). Gross profit was boosted by ~INR970m adjustment for inter-segment eliminations (~270bp benefit).
- EBITDA jumped ~80% YoY to INR5.1b (26% ahead) as **EBITDA margin improved ~600bp YoY** to 14.3% (270bp beat primarily due to INR970m adjustment in gross margin).
- Reported PBT at INR424m (vs. our est. of INR1.3b loss) improved sharply from ~INR3.2b loss YoY and ~INR270m loss QoQ as the company did not book depreciation for ABLBL (INR1.5b) due to the demerger.
- ABFRL's losses narrowed sharply to INR235m (vs. INR2.7b loss YoY and ~INR425b loss QoQ) due to merger related exceptional items.

ABFRL (demerged): Jump in profitability led by Ethnic wear

- Revenue grew 9% YoY to INR17.2b (~9% ahead), driven by strong performance in Ethnic (+19% YoY).

- Pantaloons reported ~1% YoY revenue decline due to rationalization of store footprint and ~1.6% LTL decline; TMRW revenue surged ~27% YoY to INR1.5b.
- Gross profit grew 26% YoY to INR10.9b as gross margin expanded ~850bp YoY to 63.2%. INR970m (or ~565bp expansion) was driven by demerger-related adjustment.
- EBITDA at ~INR2b improved sharply (~5.9x on reported basis and ~3x on adjusted basis) as adjusted margin improved ~400bp YoY.
- Pantaloons' reported margin improved ~470bp YoY to 15.1%, while Ethnic's margin expanded ~700bp to 10%.
- Reported loss narrowed to ~INR1.6b (vs. ~INR2.9b YoY).

ABLBL: Modest revenue growth; margin expands significantly

- Revenue grew 2.5% YoY to INR18.8b (in line) as Lifestyle brands' revenue grew 5% YoY, driven by ~9% retail LTL growth.
- Gross profit grew 8.4% YoY to INR11.4b as gross margin expanded ~330bp YoY.
- EBITDA at INR3.1b (4% ahead) grew 24% YoY. EBITDA margin expanded ~285bp YoY to 16.4% as Lifestyle brands' EBITDA margin expanded 50bp YoY.
- Reported PAT improved to INR1.4b (vs. INR210m YoY), led by ~INR1.5b lower depreciation (due to demerger) and hurt by ~INR0.4b DTA reversals.

Key highlights from the management interaction

- **Demand trends:** The underlying demand remains subdued with cautious consumer spending and low footfalls. However, there were few green shoots in select pockets (value, lower-tier markets). Management indicated that underlying demand remains weak in 1QFY26TD as well, except for the boost from higher wedding days (vs. no wedding dates in 1QFY25).
- **ABFRL (demerged):** The long-term plan is to triple sales and double EBITDA margin by 2030. After the recent fund raise, ABFRL's cash balance stood at ~INR23.5b (~INR9b net cash) and the fund raise is primarily earmarked for scaling up value fashion (Style Up) and Ethnics (through Tasva). Management is targeting EBITDA breakeven for all segments (except TMRW) by FY27.
- **ABLBL:** It will be listed by end-Jun'25. The company will start with ~INR7-8b net debt, with plans to become net debt free in next 2-3 years. Over the longer term, the aim is to double revenue and further improve profitability.
- **Store additions:** The company plans to add ~300 stores in FY26 under ABLBL (incl. Reebok). For demerged ABFRL, the company plans to double the store footprint for Style Up (from 46 currently), add ~15-20 Pantaloons stores, and open 25+ TASVA stores (vs. ~67 currently) in FY26.

Valuation and view

- ABFRL (demerged) provides a diversified play across several high-growth segments in apparel retail. However, over the last few years, ABFRL's valuations have been hurt by investments in several new businesses, which are currently loss making and yet to stabilize.
- After the recent fund raise, debt concerns have been addressed. However, a profitable scale-up of value fashion and branded ethnic wear and a turnaround in the Digital First brands remain key medium-term monitorable.

- Management has laid out ambitious long-term growth and profitability targets for both ABFRL (demerged) and ABLBL. An improved execution toward sustained profitability and meeting these targets remain key for re-rating.
- Our ABFRL model now encompasses Pantaloons (incl. Style Up), Ethnic, TMRW and Luxury Retail. Our estimates are not comparable with our earlier estimates.
- We build in a CAGR of 11%/13% in revenue/EBITDA over FY25-27E for ABFRL, driven by robust growth and improved profitability in TMRW and Ethnic. However, we still expect ABFRL to report losses over FY25-27E.
- We value ABFRL on the SOTP basis. We assign EV/EBITDA multiple of 13x to Pantaloons and EV/sales of 1x to other businesses of ABFRL (demerged) on FY27E. We reiterate our Neutral rating with a TP of INR100.

Consolidated - Quarterly Earnings summary

Y/E March	FY24				FY25				FY24	FY25E	FY25	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
Revenue	31,961	32,264	41,667	34,067	34,278	36,439	43,047	35,970	1,39,959	1,49,734	35,151	2.3
YoY Change (%)	11.2	4.9	16.1	18.3	7.3	12.9	3.3	5.6	12.7	7.0	-56.8	
Total Expenditure	29,037	29,031	36,134	31,230	30,694	32,825	36,698	30,835	1,25,433	1,31,052	31,076	-0.8
EBITDA	2,923	3,233	5,533	2,837	3,584	3,613	6,349	5,135	14,526	18,681	4,075	26.0
Change, YoY (%)	-37.6	-18.5	27.0	47.1	22.6	11.8	14.8	81.0	-2.7	28.6	-62.9	
Depreciation	3,670	3,888	4,441	4,554	4,359	4,610	4,723	3,554	16,552	17,246	4,944	
Interest	1,873	2,084	2,454	2,355	2,195	2,500	2,470	2,328	8,766	9,494	1,303	
Other Income	603	457	441	875	478	516	571	1,171	2,376	2,735	895	
PBT before EO expense	-2,017	-2,281	-922	-3,197	-2,493	-2,982	-273	424	-8,417	-5,324	-1,278	NA
Extra-Ord expense	0	0	0	0	0	-231	0	0	0	-231	0	
Share in JV	4	-5	73	56	-3	-32	-89	-54	128	-179	-5	
PBT	-2,017	-2,281	-922	-3,197	-2,493	-2,750	-273	424	-8,417	-5,092	-1,278	NA
Tax	-397	-282	227	-478	-346	-636	61	605	-930	-316	-284	
Rate (%)	19.7	12.4	-24.6	14.9	13.9	23.1	-22.2	142.8	11.0	6.2	22.2	
Reported PAT	-1,616	-2,003	-1,076	-2,664	-2,149	-2,147	-424	-235	-7,359	-4,955	-999	76.4
Adj PAT	-1,616	-2,003	-1,076	-2,664	-2,149	-1,957	-424	-235	-7,359	-4,739	-999	76.4
YoY Change (%)	-272.3	-765.4	-1,713.2	35.3	33.0	-2.3	-60.6	-91.2	1,009.8	-35.6	-17.2	

E: MOFSL Estimates

Valuation on Mar'27 basis

FY27E (INR b)	
Pantaloons EBITDA	8.2
EV/EBITDA (x)	13.0
Pantaloons EV (a)	106
Ethnic and others revenue	42
EV/sales (x)	1
Ethnics and others EV (b)	42
Overall EV (a+b)	149
Net debt / (cash)	26.6
Market cap	122
TP (INR/share)	100
Share count	1,220
CMP	87
Upside (%)	14.9

Segment-wise results summary

ABLBL: Modest revenue growth; margin improves sharply

- Revenue grew 2.5% YoY to INR18.8b and was broadly in line with our estimate.
- Lifestyle brands' revenue grew 5% YoY, driven by ~9% retail LTL growth across its brands.
- The company closed 44 net stores under lifestyle brands during 4QFY25.
- Gross profit grew 8.4% YoY to INR11.4b as gross margin improved ~330bp YoY to 60.7%.
- EBITDA at INR3.1b (4% ahead) grew 24% YoY as the EBITDA margin improved ~285bp YoY to 16.4%.
- Lifestyle brands' EBITDA grew 18% YoY as margin expanded ~50bp YoY to 20%.
- Reported PAT improved sharply to INR1.4b (vs. INR210m YoY and INR636m QoQ). Reported PAT improved ~INR1.5b on account of lower depreciation (demerger related) but was hurt by ~INR0.4b DTA reversals.

FY25: Subdued revenue growth; margin expansion drives profitability

- Revenue inched up ~1% YoY to INR76.2b.
- Following a tepid 1H, growth recovered in 2H as the Lifestyle brands posted three consecutive quarters of positive LTL, with 4% retail LTL in FY25.
- During FY25, ABFRL closed ~190 net stores under the Lifestyle brand.
- Gross profit grew ~4% YoY to INR45.6b as gross margin improved ~170bp YoY to 59.8%, driven by better channel mix and lower discounting.
- EBITDA at INR11.9b grew ~10% YoY as EBITDA margin improved ~130bp YoY to 15.6%.
- Lifestyle brands' EBITDA declined ~1.5% YoY to INR12.7b, while other businesses turned EBITDA positive.
- Reported PAT stood at INR1.7b (flat YoY). However, it was boosted by ~INR1.5b on account of lower D&A and was hurt by ~INR1.4b of exceptional items and DTA reversal.
- Adjusted PAT at INR2.4b grew 40% YoY.
- Net debt at ABLBL stood at INR7.8b. Management expects the company to become net debt-free in the next 2-3 years.

ABFRL (demerged): Jump in profitability led by Ethnic wear

- Revenue grew 9% YoY to INR17.2b (~9% ahead), driven by strong performance in Ethnic wear.
- Pantaloons reported ~1% YoY decline in revenue due to the rationalization of store footprint and a 1.6% dip in LTL.
- Ethnic wear revenue grew 19% YoY, with the ethnic portfolio (ex-TCNS) delivering 45% YoY revenue growth.
- TMRW revenue grew 27% YoY to ~INR1.5b.
- Gross profit grew 26% YoY to INR10.9b as gross margin expanded ~850bp YoY to 63.2%.
- EBITDA at ~INR2b (19% ahead) grew 5.9x YoY as EBITDA margin improved ~970bp YoY to 11.9%.
- Pantaloons witnessed ~470bp YoY margin expansion.
- The Ethnic wear margin expanded to ~10% (vs. ~3% YoY).
- Reported loss narrowed to ~INR1.6b (vs. ~INR2.9b YoY).

FY25: TCNS consolidation boosts revenue growth; sharp margin expansion in Ethnic wear

- Revenue grew ~14% YoY to INR73.6b.
- Ethnic wear registered 49% YoY growth, boosted by TCNS consolidation; TMRW grew ~55% YoY, while Pantaloons witnessed a modest ~1% YoY growth.
- Gross profit grew ~25% YoY to INR41.8b as gross margin improved ~485bp YoY to 56.8%.
- EBITDA at INR6.8b grew ~83% YoY as EBITDA margin improved ~345bp YoY to 9.2%.
- Pantaloons registered ~32% YoY EBITDA growth, driven by ~390bp margin expansion.
- Ethnic EBITDA improved sharply to ~INR1b (vs. INR130m YoY), with margin expanding to 5.2% (vs. 1% YoY).
- Reported losses narrowed to INR6.2b (vs. INR9.1b YoY). Adjusted for exceptional items, FY25 losses came in at INR7.6b.

Exhibit 1: Consolidated performance

INRm	Q4FY24	Q3FY25	4QFY25	YoY%	QoQ%	Q4FY25E	v/s est (%)
Revenue	34,067	43,047	35,970	5.6	-16.4	35,151	2.3
Raw Material cost	15,048	17,990	13,714	-8.9	-23.8	15,381	-10.8
Gross Profit	19,018	25,057	22,256	17.0	-11.2	19,771	12.6
Gross margin (%)	55.8	58.2	61.9	605bps	367bps	56.2	563bps
Employee Costs	4,780	5,596	5,134	7.4	-8.3	5,371	-4.4
Rent	2,462	2,965	2,292	-6.9	-22.7	2,495	-8.1
SGA Expenses	8,939	10,147	9,695	8.4	-4.5	7,829	23.8
EBITDA	2,837	6,349	5,135	81.0	-19.1	4,075	26.0
EBITDA margin (%)	8.3	14.7	14.3	595bps	-47bps	11.6	268bps
Depreciation and amortization	4,554	4,723	3,554	-22.0	-24.7	4,944	-28.1
EBIT	-1,717	1,626	1,581	-192.1	-2.8	-869	282.0
EBIT margin (%)	-5.0	3.8	4.4	944bps	62bps	-2.5	687bps
Finance Costs	2,355	2,470	2,328	-1.1	-5.8	1,303	78.6
Other income	875	571	1,171	33.8	105.2	895	30.9
Exceptional item	0	0	0	0.0	0.0	0	NA
Profit before Tax	-3,197	-273	424	-113.3	-255.0	-1,278	NA
Tax	-478	61	605	-226.7	NM	-284	NM
Tax rate (%)	14.9	-22.2	142.8	NM	NM	22.2	NM
Share in JV	55.9	-89.4	-54.0	NM	NM	-5.3	NM
Profit after Tax	-2,664	-424	-235	-91.2	-44.4	-999	76.4
Adj Profit after Tax	-2,664	-424	-235	-91.2	-44.4	-999	76.4

Exhibit 2: ABLBL's performance

ABLBL (INR m)	4QFY24	3QF24	4QFY25	YoY%	QoQ%	FY24	FY25	YoY%
Revenue	18,315	21,042	18,775	2.5	-10.8	75,544	76,186	0.9
Raw Material cost	7,804	8,446	7,384	-5.4	-12.6	31,627	30,605	-3.2
Gross Profit	10,511	12,596	11,391	8.4	-9.6	43,917	45,582	3.8
Gross margin (%)	57.4	59.9	60.7	328bps	81bps	58.1	59.8	169bps
Employee Costs	2,029	2,417	2,311	13.9	-4.4	8,200	9,184	12.0
Rent	1,824	2,360	1,908	4.6	-19.2	7,393	7,647	3.4
SGA Expenses	4,171	4,486	4,086	-2.0	-8.9	17,498	16,834	-3.8
Total	8,024	9,263	8,305	3.5	-10.3	33,091	33,665	1.7
EBITDA	2,488	3,332	3,086	24.1	-7.4	10,826	11,917	10.1
EBITDA margin (%)	13.6	15.8	16.4	286bps	60bps	14.3	15.6	131bps
Depreciation and amortization	1,680	1,716	538	-67.9	-68.6	6,383	5,582	-12.6
EBIT	808	1,617	2,548	215.4	57.6	4,443	6,335	42.6
EBIT margin (%)	4.4	7.7	13.6	916bps	589bps	5.9	8.3	243bps
Finance Costs	835	964	894	7.2	-7.2	3,249	3,820	17.6
Other income	304	221	212	-30.1	-4.1	999	778	-22.1
Exceptional item	-	-	-			0	-983	
Profit before Tax	277	875	1,866	574.5	113.3	2,192	2,310	5.4
Tax	66	239	492	641.0		481	626	30.3
Tax rate (%)	24.0	27.3	26.4			21.9	27.1	24bps
Share in JV	0.0	0.0	0.0			0.0	0.0	
Profit after Tax	210	636	1,374	553.5	116.1	1,712	1,684	-1.6
Adj Profit after Tax	210	636	1,374	553.5	116.1	1,712	2,400	40.2

Exhibit 3: Demerged ABFRL performance

Demerged ABFRL (INR m)	4QFY24	3QF24	4QFY25	YoY%	QoQ%	FY24	FY25	YoY%
Revenue	15,751	22,005	17,195	9.2	-21.9	64,415	73,547	14.2
Raw Material cost	7,134	9,502	6,330	-11.3	-33.4	30,936	31,771	2.7
Gross Profit	8,617	12,504	10,865	26.1	-13.1	33,479	41,777	24.8
Gross margin (%)	54.7	56.8	63.2	848bps	636bps	52.0	56.8	483bps
Employee Costs	2,751	3,179	2,822	2.6	-11.2	10,061	11,422	13.5
Rent	638	604	385	-39.7	-36.3	2,312	2,052	-11.3
SGA Expenses	4,879	5,704	5,609	15.0	-1.7	17,406	21,539	23.7
Total	8,268	9,487	8,816	6.6	-7.1	29,778	35,012	17.6
EBITDA	349	3,017	2,049	486.6	-32.1	3,700	6,764	82.8
EBITDA margin (%)	2.2	13.7	11.9	970bps	-179bps	5.7	9.2	345bps
Depreciation and amortization	2,874	3,007	3,016	4.9	0.3	10,169	11,664	14.7
EBIT	-2,525	10	-967	-61.7	-10276.8	-6,469	-4,900	-24.3
EBIT margin (%)	-16.0	0.0	-5.6	1041bps	-567bps	-10.0	-6.7	338bps
Finance Costs	1,520	1,507	1,434	-5.7	-4.9	5,517	5,674	2.8
Other income	571	349	959	67.8	174.5	1,377	1,957	42.1
Exceptional item	-	-	-			0	1,612	
Profit before Tax	-3,474	-1,148	-1,442	-58.5	25.6	-10,608	-7,005	-34.0
Tax	-544	-178	113	-120.8		-1,411	-942	-33.2
Tax rate (%)	15.7	15.5	-7.9			13.3	13.4	1bps
Share in JV	55.9	-89.4	-54.0			127.5	-178.8	-240bps
Profit after Tax	-2,874	-1,059	-1,609	-44.0	51.9	-9,070	-6,242	-31.2
Adj Profit after Tax	-2,874	-1,059	-1,609	-44.0	51.9	-9,070	-7,636	-15.8

Exhibit 4: Segment wise performance

Consolidated segment breakup	Q4FY24	Q3FY25	Q4FY25	YoY%	QoQ%	Q4FY25E	v/s est (%)
Revenue							
ABLBL	18,590	21,500	19,420	4.5	-9.7	19,051	1.9
Lifestyle	15,640	18,170	16,390	4.8	-9.8	15,922	2.9
Other biz in ABLBL	2,950	3,330	3,030	2.7	-9.0	3,129	-3.2
Demerged ABFRL	15,750	22,180	17,190	9.1	-22.5	16,626	3.4
Pantaloons	8,950	13,050	8,850	-1.1	-32.2	9,017	-1.8
Ethnic	4,740	5,880	5,640	19.0	-4.1	4,893	15.3
TMRW	1,140	1,870	1,450	27.2	-22.5	1,412	2.7
Others in ABFRL	1,240	1,380	1,380	11.3	0.0	1,304	5.8
Elimination	-274	-633	-640	134.1	1.1	-525	22.0
Consolidated revenue	34,067	43,047	35,970	5.6	-16.4	35,151	2.3
EBITDA							
ABLBL	2,790	3,560	3,300	18.3	-7.3	3,177	3.9
Lifestyle	3,050	3,570	3,280	7.5	-8.1	3,152	4.1
Other biz in ABLBL	-260	-10	20	-107.7	NM	25	-20.0
Demerged ABFRL	980	3,200	2,950	201.0	-7.8	1,724	71.1
Pantaloons	930	2,520	1,340	44.1	-46.8	1,602	-16.3
Ethnic	150	1,130	570	280.0	-49.6	491	16.2
TMRW	-500	-620	-380	-24.0	-38.7	-479	-20.6
Others in ABFRL	400	180	590	NM	227.8	111	433.9
Elimination	-933	-411	-1,115	19.5	171.3	-826	34.9
Consolidated EBITDA	2,837	6,349	5,135	81.0	-19.1	4,075	26.0

Source: MOFSL, Company



Detailed takeaways from earnings call

- **Demand trends:** The underlying demand remains subdued with cautious consumer spending and low footfalls. However, there were few green shoots in select pockets (value, lower tier markets). Management indicated that underlying demand remains weak in 1QFY26TD as well, except for the boost from higher wedding days (vs. no wedding dates in 1QFY25).
- **ABFRL (demerged):** LT plan of tripling sales and doubling EBITDA margin by 2030. Post recent fund raise, ABFRL's cash balance stood at ~INR23.5b (~INR9b net cash) and the fund raise is primarily earmarked for scaling up in value fashion (Style Up) and Ethnics (through Tasva). Management is targeting EBITDA breakeven for all segments (except TMRW) by FY27.
- **ABLBL:** ABLBL will be listed by end-Jun'25. The company will start with ~INR7-8b net debt, with plans to become net debt free in next 2-3 years. Over the longer term, the aim is to double revenue and further improve profitability.
- **Store additions:** The company is planning ~300 store additions in FY26 under ABLBL (incl. Reebok). For demerged ABFRL, the company plans to double the store footprint for Style Up (from 46 currently), add ~15-20 Pantaloons and open 25+ TASVA stores (vs. ~67 currently) in FY26.
- **Demerger-related accounting changes:**
 - ABLBL reported a one-time exceptional loss of INR980m due to the restructuring of Forever 21 operations.
 - Due to demerger accounting, ABLBL's assets were classified as 'held for distribution', leading to INR1.5b depreciation not charged in consolidated results, creating a INR1.1b gain (net of deferred tax- INR390m), inflating reported PAT.
 - Inter-division eliminations were discontinued post-demerger, resulting in an INR970m one-time gain for demerged ABFRL, which boosted both gross as well as EBITDA margins.
- **Capex:** Management indicated a capex of ~INR2.5b for ABLBL, which is primarily earmarked for ~300 retail store expansion (~200 of which are planned to be on company's books and rest franchise). For demerged ABFRL, the management has guided for a capex of ~INR4b on an ongoing basis, with ~INR1b likely in FY26 for Galeries Lafayette store.
- **Margin levers for demerged ABFRL:** Management indicated that the biggest driver of margin expansion for demerged ABFRL would be reduction in losses for currently loss-making formats (TCNS, TASVA and TMRW). For TCNS and TASVA, management is targeting to achieve double-digit pre-INDAS margins in next 3-4 years (vs. losses currently). Further, management noted that Pantaloons margin could expand by ~300bp over the medium term (vs. ~18% in FY25).
- **TMRW fund raise:** Management is targeting ~INR12-15b fund raise in FY26 to fund the growth ambitions for TMRW portfolio. Excluding TMRW, management believes the current cash balance should be sufficient for funding growth for demerged ABFRL.
- **Value retail:** The company added ~7 stores in 4QFY25 to reach 49 stores. Management is aiming to add ~40-50 stores in FY26, with further scale-up to ~250-300 stores in next 2-3 years. A scale-up of Style-Up (ABFRL's value fashion format) is likely to be the major focus for cash deployment for ABFRL in coming years.

Key Assumptions	FY23	FY24	FY25	FY26E	FY27E
Pantaloons					
Stores	431	417	405	420	435
Net Additions	54	-14	-12	15	15
Area ('000 sq.ft)	5,720	5,722	5,713	5,933	6,155
Revenue/sq.ft	7,693	7,566	7,648	7,877	8,114
Revenue (INR m)	40,910	43,283	43,727	45,867	49,038
EBITDA (INR m)	6,256	5,610	7,410	7,566	8,187
EBITDA margin (%)	15.3	13.0	16.9	16.5	16.7
Ethnics					
Revenue (INR m)	5,740	13,110	19,560	22,494	25,868
EBITDA (INR m)	-240	130	1,020	1,623	2,125
EBITDA margin (%)	(4.2)	1.0	5.2	7.2	8.2
TMRW					
Revenue (INR m)	1,070	4,210	6,510	9,114	11,848
EBITDA (INR m)	-600	-1,720	-1,840	-1,938	-1,927
EBITDA margin (%)	(56.1)	(40.9)	(28.3)	(21.3)	(16.3)
Luxury Retail					
Revenue (INR m)	3,200	4,580	5,170	5,790	6,369
EBITDA (INR m)	700	1,510	1,420	1,648	1,845
EBITDA margin (%)	21.9	33.0	27.5	28.5	29.0

Est Changes	FY25	FY26E	FY27E
Demerged ABFRL			
Segment revenue* (INR m)			
Old	74,256	80,956	89,061
Actual/New	75,505	83,497	93,127
Change (%)	1.7	3.1	4.6
Segment EBITDA* (INR m)			
Old	7,624	8,683	10,297
Actual/New	8,721	9,078	10,435
Change (%)	14.4	4.5	1.3
EBITDA margin* (%)			
Old	10.3	10.7	11.6
Actual/New	11.6	10.9	11.2
Change (bp)	128	15	-36
* - includes other income			
Pantaloons			
Revenue (INR m)			
Old	43,897	45,651	48,473
Actual/New	43,727	45,867	49,038
Change (%)	-0.4	0.5	1.2
EBITDA (INR m)			
Old	7,682	8,217	8,968
Actual/New	7,410	7,566	8,187
Change (%)	-3.5	-7.9	-8.7
EBITDA margin (%)			
Old	17.5	18.0	18.5
Actual/New	16.9	16.5	16.7
Change (bp)	-55	-150	-180
Ethnics			
Revenue (INR m)			
Old	18,813	21,635	24,339
Actual/New	19,560	22,494	25,868
Change (%)	4.0	4.0	6.3
EBITDA (INR m)			
Old	941	1,190	1,460
Actual/New	1,020	1,623	2,125
Change (%)	8.4	36.4	45.5
EBITDA margin (%)			
Old	5.0	5.5	6.0
Actual/New	5.2	7.2	8.2
Change (bp)	21	171	221

Story in charts

Exhibit 5: Consolidated revenue grew 6% YoY

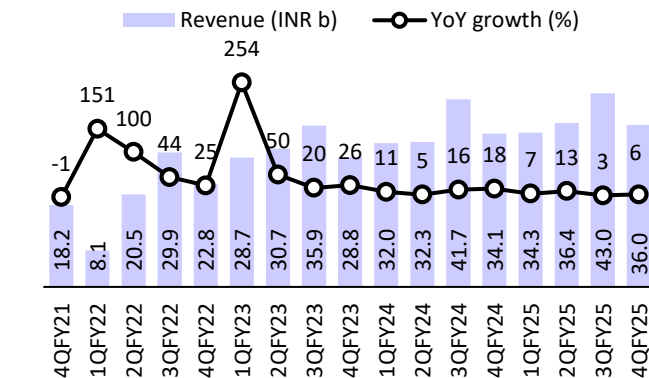


Exhibit 6: Gross margin expanded ~600bp YoY (~300bp benefit from one-time demerger adjustments)

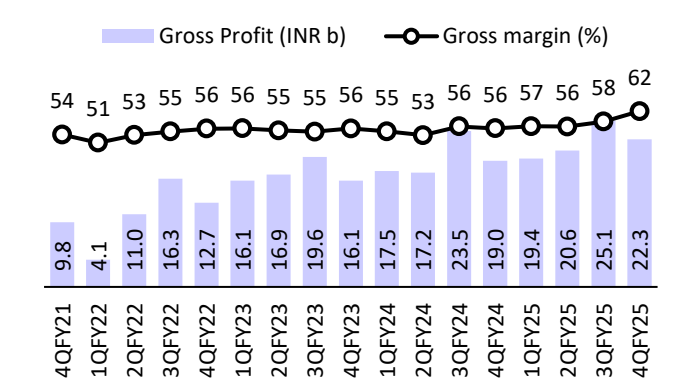


Exhibit 7: EBITDA margin improved ~600 bp YoY led by higher gross margin and improved profitability in Ethnics

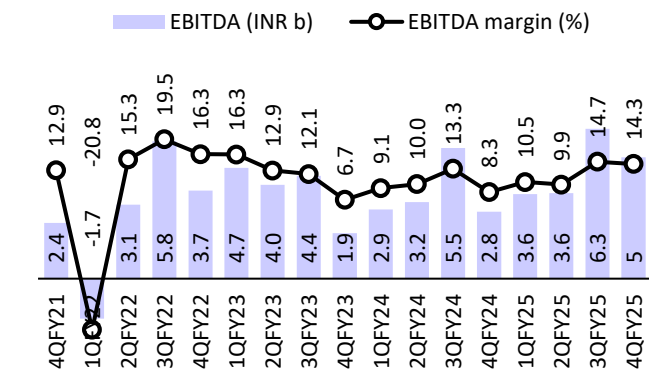


Exhibit 8: ABFRL continued to report net loss

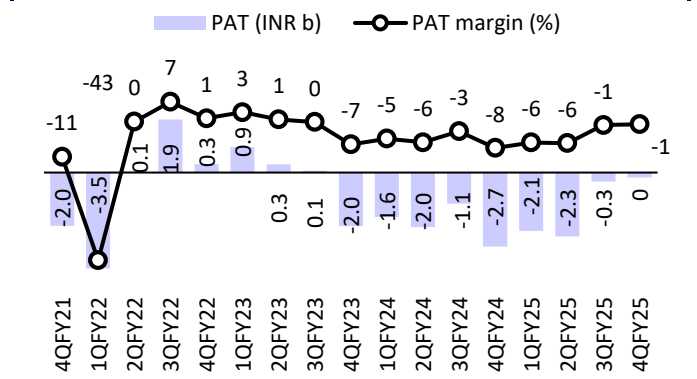
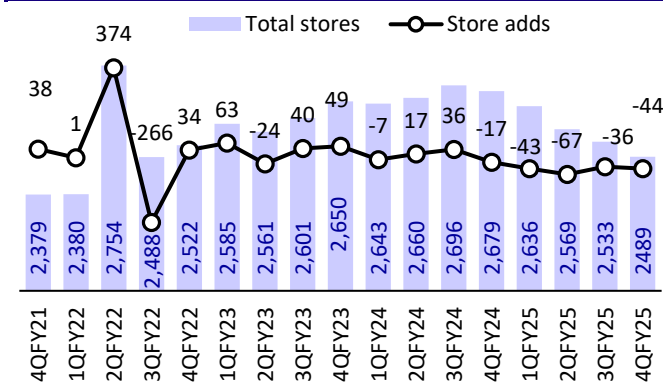
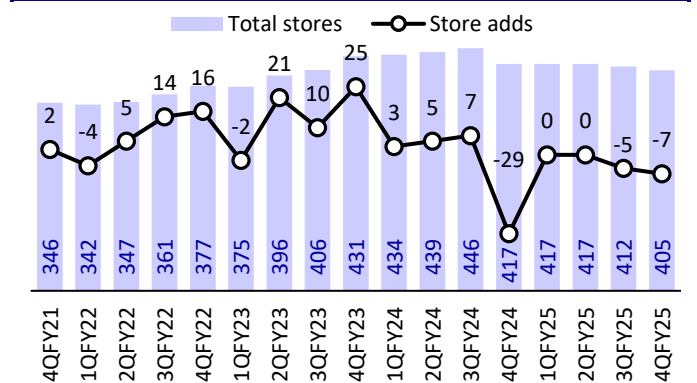


Exhibit 9: Brand stores – net 44 stores were closed in 4Q



Source: Company, MOFSL

Exhibit 10: Pantaloon's saw net 7 store closure QoQ



Source: Company, MOFSL

Exhibit 11: Demerged ABFRL Revenue grew 9% YoY

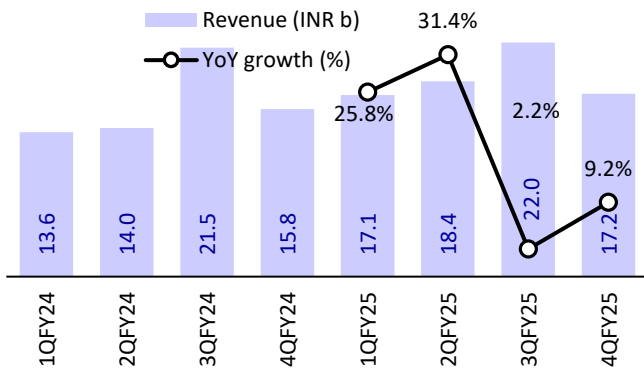


Exhibit 12: ABLBL Revenue grew 1% YoY

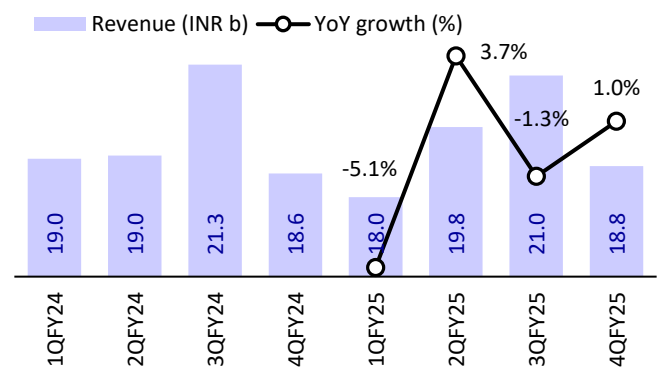


Exhibit 13: Demerged ABFRL EBITDA doubled YoY on comparable basis

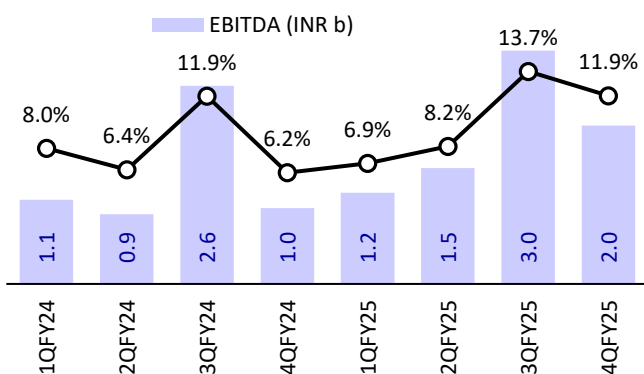
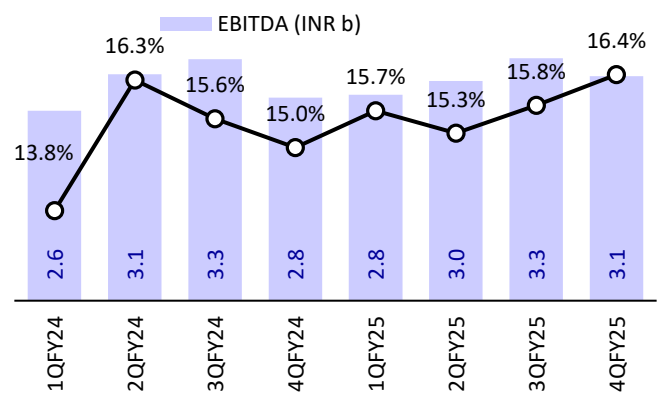


Exhibit 14: ABLBL EBITDA grew 11% YoY



Demerged ABFRL

Exhibit 15: Revenue to record 11% CAGR over FY25-27E

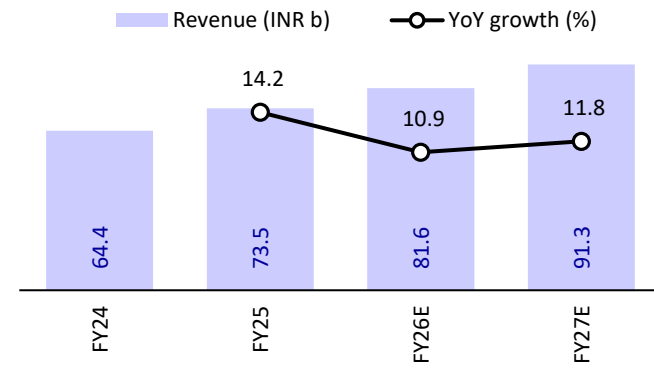


Exhibit 16: Gross profit to post CAGR of 12% over FY25-27E

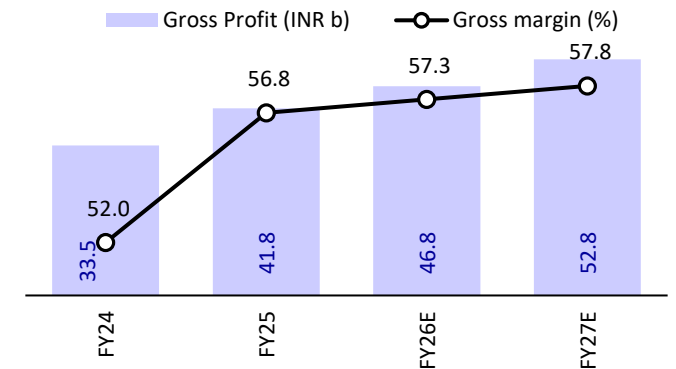


Exhibit 17: EBITDA to record CAGR of 13% over FY25-27E

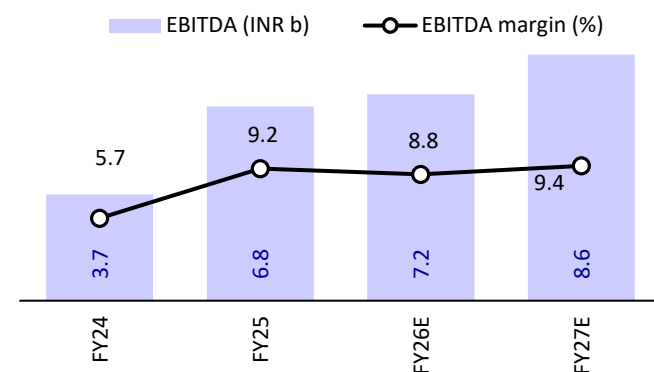
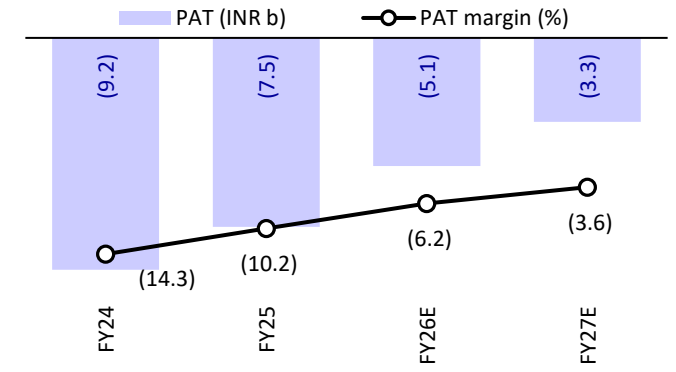


Exhibit 18: Net Loss to decline over FY25-27E



Financials and valuations

Consolidated - Income Statement

(InR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	87,879	52,489	81,362	1,24,179	64,415	73,547	81,600	91,261
Change (%)	8.3	-40.3	55.0	52.6	-48.1	14.2	10.9	11.8
Raw Materials	42,242	25,630	37,202	55,520	30,936	31,771	34,841	38,510
Employees Cost	10,805	8,654	11,585	15,634	10,061	11,422	12,648	14,145
Rent	4,870	107	3,932	8,970	2,312	2,052	2,326	2,647
Other Expenses	17,843	12,552	17,644	29,120	17,406	21,539	24,604	27,390
Total Expenditure	75,760	46,942	70,363	1,09,243	60,715	66,783	74,419	82,692
% of Sales	86.2	89.4	86.5	88.0	94.3	90.8	91.2	90.6
EBITDA	12,118	5,547	10,999	14,936	3,700	6,764	7,181	8,569
Margin (%)	13.8	10.6	13.5	12.0	5.7	9.2	8.8	9.4
Depreciation	8,853	9,628	9,970	12,270	10,169	11,664	10,497	9,839
EBIT	3,265	-4,080	1,029	2,666	-6,469	-4,900	-3,316	-1,270
Int. and Finance Charges	4,247	5,026	3,507	4,724	5,517	5,674	5,358	5,045
Other Income	653	734	1,006	1,165	1,377	1,957	1,896	1,866
PBT bef. EO Exp.	-329	-8,372	-1,473	-893	-10,608	-8,616	-6,777	-4,449
EO Items/Share of Associates	0	0	0	0	128	1,433	0	0
PBT after EO Exp.	-329	-8,372	-1,473	-893	-10,481	-7,184	-6,777	-4,449
Total Tax	0	-1,015	-266	-230	-1,411	-942	-1,706	-1,120
Tax Rate (%)	0.0	12.1	18.0	25.7	13.5	13.1	25.2	25.2
Reported PAT	-329	-7,357	-1,207	-663	-9,070	-6,242	-5,071	-3,329
Adjusted PAT	-329	-7,357	-1,207	-663	-9,181	-7,487	-5,071	-3,329
Change (%)	-122.1	2,136.8	-83.6	-45.1	1,284.5	-18.5	-32.3	-34.4
Margin (%)	-0.4	-14.0	-1.5	-0.5	-14.3	-10.2	-6.2	-3.6

Consolidated - Balance Sheet

(InR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	7,740	9,151	9,383	9,488	10,150	12,203	12,203	12,203
Total Reserves	3,138	17,287	18,350	23,945	30,074	55,919	50,848	47,519
Net Worth	10,878	26,763	27,885	33,460	47,096	68,133	63,062	59,733
Total Loans	26,584	18,384	22,080	40,594	60,336	29,747	30,403	30,634
Lease Liability	25,018	24,634	28,681	42,678	52,462	35,782	34,665	33,517
Deferred Tax Liabilities	-1,950	-3,339	-3,805	-4,085	38	1,543	1,543	1,543
Capital Employed	60,530	66,441	74,841	1,12,647	1,59,933	1,35,206	1,29,672	1,25,427
Net Fixed Assets	6,429	5,747	6,312	10,091	13,375	8,360	6,856	5,512
Capital WIP	441	376	1,026	1,457	1,711	1,810	1,810	1,810
Total Investments	4,156	4,843	5,317	9,613	10,277	7,382	7,382	7,382
Curr. Assets, Loans&Adv.	41,709	39,026	53,345	71,701	87,166	60,610	63,346	64,277
Inventory	23,668	18,470	29,296	42,144	45,053	24,544	26,828	30,004
Account Receivables	8,405	7,305	7,564	8,864	12,828	3,734	4,248	4,501
Cash and Bank Balance	2,669	2,618	1,205	7,011	4,624	7,731	7,342	4,280
Loans and Advances	6,967	10,634	15,280	13,682	24,661	24,601	24,929	25,493
Curr. Liability & Prov.	35,176	31,934	45,420	53,685	57,971	28,735	35,507	39,345
Account Payables	22,899	23,734	34,106	38,461	41,313	23,233	25,710	28,753
Other Current Liabilities	12,277	8,200	11,314	15,224	16,658	5,502	9,798	10,592
Provisions								
Net Current Assets	6,533	7,092	7,925	18,016	29,195	31,875	27,839	24,932
Appl. of Funds	60,530	66,441	74,841	1,12,647	1,59,933	1,35,206	1,29,672	1,25,427

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	-0.3	-6.0	-1.0	-0.5	-7.5	-6.1	-4.2	-2.7
Cash EPS	11.0	2.5	9.3	12.2	1.0	4.1	5.3	6.4
BV/Share	14.1	29.2	29.7	35.3	46.4	67.1	62.1	58.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	-322.8	-14.4	-88.0	-160.1	-11.6	-14.2	-20.9	-31.9
Cash P/E	7.9	35.1	9.3	7.1	89.3	21.2	16.3	13.6
P/BV	6.2	3.0	2.9	2.5	1.9	1.3	1.4	1.5
EV/Sales	1.0	1.8	1.3	0.9	2.2	1.7	1.6	1.5
EV/EBITDA	7.5	17.2	9.3	7.8	38.9	19.0	18.0	15.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	2.5	9.8	6.7	-2.2	-10.0	6.4	7.3	4.9
Return Ratios (%)								
RoE	-2.6	-39.1	-4.4	-2.2	-22.8	-13.0	-7.7	-5.4
RoCE	8.9	-5.3	2.9	4.1	-3.7	-2.0	-1.1	0.5
RoIC	8.6	-7.3	1.6	3.3	-5.4	-3.7	-2.9	-1.1
Working Capital Ratios								
Fixed Asset Turnover (x)	2.1	2.4	3.5	6.1	2.3	2.5	2.4	2.4
Asset Turnover (x)	1.5	0.8	1.1	1.1	0.4	0.5	0.6	0.7
Inventory (Days)	98	128	131	124	255	122	120	120
Debtor (Days)	35	51	34	26	73	19	19	18
Creditor (Days)	95	165	153	113	234	115	115	115
Leverage Ratio (x)								
Current Ratio	1.2	1.2	1.2	1.3	1.5	2.1	1.8	1.6
Interest Cover Ratio	0.8	-0.8	0.3	0.6	-1.2	-0.9	-0.6	-0.3
Net Debt/Equity	1.8	0.4	0.6	0.7	1.0	0.2	0.2	0.3

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	-329	-8,375	-1,449	-842	-8,289	-4,874	-6,777	-4,449
Depreciation	8,853	9,628	9,970	12,270	16,552	18,074	10,497	9,839
Interest & Finance Charges	4,220	5,004	3,484	4,724	8,504	9,325	3,461	3,178
Direct Taxes Paid	-65	-28	-164	25	-431	-359	1,706	1,120
(Inc)/Dec in WC	-6,126	8,528	241	-9,118	-1,673	-2,781	3,981	-155
CF from Operations	6,552	14,756	12,082	7,058	14,664	19,385	12,868	9,533
Others	-112	-3,718	-2,577	-696	-1,250	-2,947	-	-
CF from Operating incl EO	6,440	11,038	9,505	6,362	13,414	16,439	12,868	9,533
(Inc)/Dec in FA	-4,485	-2,101	-3,185	-8,465	-23,565	-8,682	-4,000	-3,500
Lease Payments			0	-8,910	-14,289	-16,151	-10,603	-10,313
Free Cash Flow	1,955	8,937	6,321	-2,103	-10,151	7,757	8,868	6,033
(Pur)/Sale of Investments	-1,027	-6,475	-2,422	4,490	-6,615	-7,590	0	0
Others	5	181	116	186	263	155	1,896	1,866
CF from Investments	-5,508	-8,396	-5,491	-12,699	-44,206	-32,268	-12,707	-11,947
Issue of Shares	72	22,388	2,476	7,728	14,360	41,900	0	0
Inc/(Dec) in Debt	10,742	-16,547	960	9,763	17,873	-18,158	322	231
Interest Paid	-4,243	-4,759	-3,097	-5,327	-3,828	-4,254	-872	-880
Dividend Paid	0	0	0	0				
Others	-5,407	-3,774	-5,609	0	0		0	0
CF from Fin. Activity	1,165	-2,692	-5,270	12,165	28,405	19,488	-549	-649
Inc/Dec of Cash	2,098	-50	-1,256	5,828	-2,387	3,659	-389	-3,062
Opening Balance	571	2,668	2,461	1,182	7,011	4,072	7,731	7,342
Closing Balance	2,669	2,618	1,205	7,011	4,624	7,730	7,342	4,280

*- FY24-27E financials are for ABFRL (demerged) and not strictly comparable with FY20-23 financials

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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