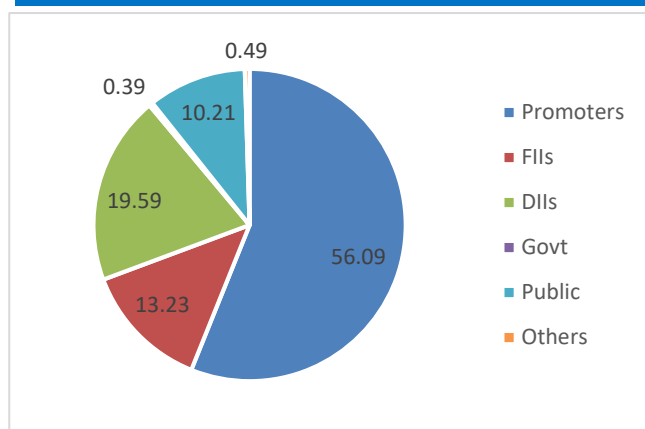


September 2022

**VALUE PARAMETERS**

Face Value (Rs.)	10
Mrk.Cap (Rs. in Cr)	30,310
52-Week High/Low	325/198
EPS (TTM)	3.58
P/E Ratio (TTM)	94.5
Book Value per share (Rs)	30.7
Industry P/E	110
P/B Ratio (calc at CMP)	10.6
Dividend Yield (%)	0.00
Enterprise value (Rs in Cr)	34,290

**SHAREHOLDING PATTERN**



**FINANCIAL PERFORMANCE**

	FY22	FY23E	FY24E
Sales (Rs. Cr)	8136.2	12,158	14,200
Growth (%)	55%	49%	16.8%
Expenditures	7036.3	10,228	11,915
EBITDA ( Rs. Cr)	1099.9	1,930	2,285
EBITDA margin	13.5	15.87	16.2
PAT (Rs. Cr)	-121	440	590
PAT margin (%)	-1.48%	3.6%	4.15%
EPS (Rs)	-1.16	4.5	5.9
RoE (%)	-4.5	8.5	9.5
RoCE (%)	-3.3	14.2	16.5
P/BV (x)	10.44	4.9	4.8
EV/EBITDA (x)	23.77	14	12
P/E (x)	-216	60	48

**Strong recovery across segments - growth momentum to continue...**

**Our Recommendation:** ABFRL delivered strong performance across all segments. ABFRL has been able to expand margins over to pre-COVID levels despite inflationary pressures. We expect this growth momentum to continue in coming quarters because of coming festive season and increased preference of ABFRL's portfolio among consumers. The company to open 75+ Pantaloons store and 400+ lifestyle brands in FY23. ABFRL's foray into footwear and beauty products segment after getting stake in Rebook and Masaba; this step would also add value in medium to long-term. Thus, we recommend BUY in price range Rs. 300-315 with target price Rs 380 (upside 16%).

**Investment Rationale:**

**About Company:** Aditya Birla Fashion and Retail Ltd (ABFRL) is part of Aditya Birla Group. The company is engaged in apparel businesses. The company comprises ABNL's Madura Fashion division and ABNL's subsidiaries Pantaloons Fashion and Retail and Madura Fashion & Lifestyle. Its apparel portfolio includes Allen Solly, Van Heusen, Louis Philippe and Peter England. ABFRL also took over leading brand Pantaloons. The company has a robust distribution network having, 3112 brand stores along with 375 Pantaloons stores.

**Q1FY23 Results:** ABFRL reported strong financial performance in first quarter of the year due to increased consumer confidence that led traffic growth across business channels.

- Revenue grew by 254% to Rs. 2,875 crores from Rs 812 crores reported in a year-ago period with 3-year CAGR of 12%.
- EBITDA grew by 14% to Rs 468.4 crore. Despite fixed overheads, the company was able to maintain healthy EBITDA margins of 16.3%.
- PAT stood at Rs 94.4 crore which was -352 in a year-ago period. Sequentially, PAT reported growth of 196% that was Rs 31.9 crore in Q4FY22.

**Best quarterly results ever:** Per management, Q1FY23 was the best first quarter in terms of net sales and profitability. Sharp recovery in demand across segments and strong preference for ABFRL portfolio of brands led to a strong quarterly performance. Apart from that accelerated E-commerce, aggressive store expansion, and omni-channel played pivotal role in this growth.

**Key Highlights from con-call:**

- E-commerce sales up by 56% and Omni channel expanded to 1600 stores.
- Lifestyle brands – Net sales increased by 51% over pre-COVID levels to Rs. 1519 crores. EBITDA grew 40% to Rs. 266 crore. Small town format and casual wear business continued to show strong growth.
- Pantaloons –Highest-ever Q1 revenues of Rs.1027 core. EBITDA increased by 33% over pre-COVID levels. E-commerce channel increased by 70% YoY.
- Inner wear & athleisure segment achieved best quarterly sales led by network expansion and strong E-commerce growth.
- Ethnic wears and other businesses recorded sharp growth driven by both network expansion and category extensions.

## Financials and Valuations

### Q1FY23 Quarterly financials consolidated (Rs in Cr)

Particulars	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)
<b>Revenue</b>	<b>2874.8</b>	<b>812</b>	<b>254.1</b>	<b>2282.8</b>	<b>25.9</b>
RM expenses	1269.5	399.9	217.4	1010.9	25.6
Employee Expenses	347.4	249.60	39.20	306.8	13.2
Rent	208.9	0		140.3	48.9
Other expenses	580.6	331.2	75.3	451.7	28.5
<b>EBITDA</b>	<b>468.4</b>	<b>-168.7</b>	<b>-</b>	<b>373</b>	<b>25.6</b>
<i>EBITDA margin (%)</i>	<i>16.3</i>	<i>-20.8</i>	<i>-</i>	<i>16.3</i>	<i>(4 bps)</i>
Depreciation	270.3	237.8	13.7	266.8	1.3
Interest	94.4	85.2	10.8	89.5	5.5
Other Income	31.1	24.3	27.9	26.7	16.5
PBT bf. EO	134.8	-467.4	-	43.5	210.3
Shares of JV	0.6	-0.4		1.1	
<b>PBT</b>	<b>135.5</b>	<b>-467</b>		<b>44.6</b>	
Tax	41.1	-115.6		12.7	
<b>PAT</b>	<b>94.4</b>	<b>-352.2</b>	<b>-</b>	<b>31.9</b>	<b>196.3</b>
<i>PAT margin</i>	<i>3%</i>			<i>1%</i>	

### Income Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
<b>Net Sales</b>	<b>7,172.1</b>	<b>8,117.7</b>	<b>8,787.9</b>	<b>5,248.9</b>	<b>8,136.2</b>
<i>Change (%)</i>	<i>8.6</i>	<i>13.2</i>	<i>8.3</i>	<i>-40.3</i>	<i>55</i>
Raw Materials	3,390.1	3,925.0	4,224.2	2,563.0	3,720.2
Employees Cost	772.3	913.0	1,080.5	865.4	1,158.5
Rent	1,042.9	1,110.4	487.0	10.7	393.2
Other Expenses	1,498.5	1,615.3	1,784.3	1,255.2	1,764.4
<b>Total Expenditure</b>	<b>6,703.8</b>	<b>7,563.7</b>	<b>7,576.0</b>	<b>4,694.2</b>	<b>7,036.3</b>
<i>As a percentage of Sales</i>	<i>93.50%</i>	<i>93.20%</i>	<i>86.20%</i>	<i>89.40%</i>	<i>86.50%</i>
<b>EBITDA</b>	<b>468.3</b>	<b>554.1</b>	<b>1,211.8</b>	<b>554.8</b>	<b>1,099.9</b>
<i>Margin (%)</i>	<i>6.5</i>	<i>6.8</i>	<i>13.8</i>	<i>10.6</i>	<i>13.5</i>
Depreciation	280.5	282.3	885.3	962.8	997.0
<b>EBIT</b>	<b>187.8</b>	<b>271.7</b>	<b>326.5</b>	<b>-408.0</b>	<b>102.9</b>
Int. and Finance Charges	171.6	187.4	424.7	502.6	350.7
Other Income	32.8	64.8	65.3	73.4	100.6
<b>PBT bef. EO Exp.</b>	<b>49.0</b>	<b>149.1</b>	<b>-32.9</b>	<b>-837.2</b>	<b>-147.3</b>
EO Items	0.0	0.0	0.0	0.0	0.0
PBT after EO Exp.	49.0	149.1	-32.9	-837.2	-147.3
Total Tax	-68.8	-172.1	132.1	-101.5	-26.6
Tax Rate (%)	-14.1	-11.5	-40.2	1.2	1.8
<b>Reported PAT</b>	<b>117.8</b>	<b>321.2</b>	<b>-165.0</b>	<b>-735.7</b>	<b>-120.7</b>
<b>Adjusted PAT</b>	<b>49.4</b>	<b>127</b>	<b>-34</b>	<b>-736</b>	<b>-121</b>
<i>Change (%)</i>	<i>-10.5</i>	<i>157.7</i>	<i>-126.7</i>	<i>2,061.20</i>	<i>-83.6</i>
<i>Margin (%)</i>	<i>0.7</i>	<i>1.6</i>	<i>-0.4</i>	<i>-14</i>	<i>-1.5</i>
<b>EPS (Rs)</b>	<b>1.37</b>	<b>3.72</b>	<b>-1.89</b>	<b>-7.93</b>	<b>-1.16</b>

**Balance Sheet, consolidated (Rs. Cr)**

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	772	774	774	915	938
Total Reserves	321	655	314	1,761	1,850
<b>Total Shareholders Fund</b>	<b>1,093</b>	<b>1,429</b>	<b>1,088</b>	<b>2,676</b>	<b>2,789</b>
Total Loans	1,862	1,198	2,369	1,136	1,232
Lease Liability	0	0	2,502	2,463	2,868
Deferred Tax Liabilities	-69	-263	-195	-334	-381
<b>Sources of Funds</b>	<b>2,886</b>	<b>2,364</b>	<b>5,763</b>	<b>5,942</b>	<b>6,509</b>
Gross Block	3,067	3,241	6,346	7,598	9,240
Less: Accum. Depreciation	484	686	1,402	2,185	3,182
<b>Net Fixed Assets</b>	<b>2,582</b>	<b>2,556</b>	<b>4,944</b>	<b>5,413</b>	<b>6,057</b>
Right to use Assets	0	0	2,207	2,141	2,523
Capital WIP	46	22	44	38	103
<b>Total Investments</b>	<b>4</b>	<b>4</b>	<b>14</b>	<b>420</b>	<b>686</b>
<b>Current Assets, Loans, and Adv.</b>	<b>3,033</b>	<b>3,776</b>	<b>4,569</b>	<b>3,967</b>	<b>5,180</b>
Inventory	1,691	1,921	2,367	1,847	2,930
Account Receivables	552	781	841	731	756
Cash and Bank Balance	73	57	267	262	121
Loans and Advances	717	1,016	1,095	1,128	1,373
<b>Current Liability &amp; Provisions</b>	<b>2,779</b>	<b>3,994</b>	<b>3,807</b>	<b>3,895</b>	<b>5,518</b>
Account Payables	2,009	2,397	2,290	2,373	3,411
Other Current Liabilities	578	1,394	1,328	1,334	1,904
Provisions	192	202	189	188	203
<b>Net Current Assets</b>	<b>253</b>	<b>-218</b>	<b>762</b>	<b>72</b>	<b>-338</b>
<b>Uses of Funds</b>	<b>2,886</b>	<b>2,364</b>	<b>5,763</b>	<b>5,942</b>	<b>6,509</b>

**Cash Flow statement (Rs. Cr)**

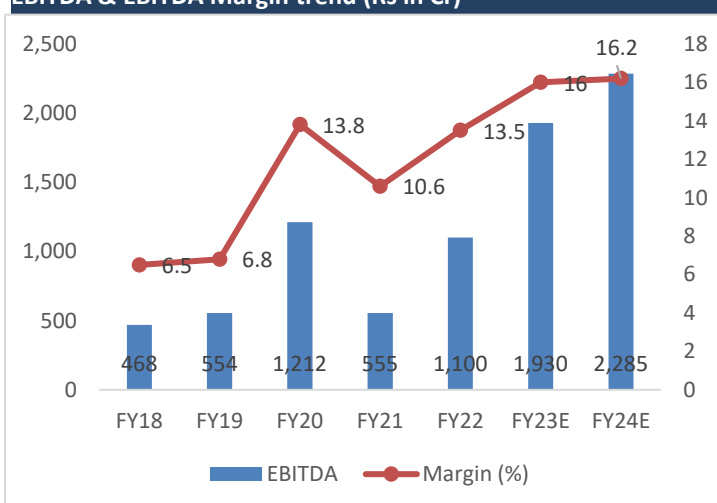
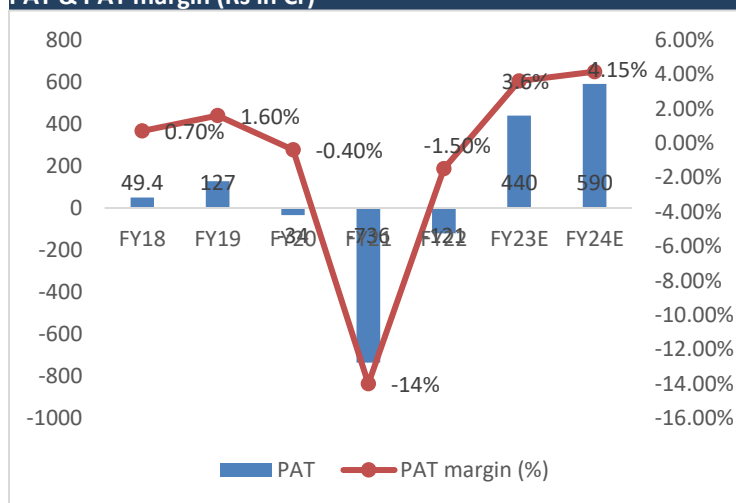
Y/E March	FY18	FY19	FY20	FY21	FY22
PBT	49	149	-9	-776	-113
Adj. For Exp.	471	492	1285	1072	1034
Other Adj.	76	-94	-608	854	82
<b>CF After WC</b>	<b>596</b>	<b>547</b>	<b>668</b>	<b>1150</b>	<b>1003</b>
Tax	-1	-20	-6	1	1
<b>CF from Op. Activity (a)</b>	<b>595</b>	<b>527</b>	<b>662</b>	<b>1151</b>	<b>1004</b>
<b>CF from Inv. Activity (b)</b>	<b>-325</b>	<b>-277</b>	<b>-574</b>	<b>-985</b>	<b>-558</b>
<b>CF from Fin. Activity (c)</b>	<b>-247</b>	<b>-266</b>	<b>120</b>	<b>-266</b>	<b>-501</b>
<b>Net Change (a+b+c)</b>	<b>23</b>	<b>-16</b>	<b>208</b>	<b>-100</b>	<b>-55</b>
Opening cash	50	73	57	265	165
Others	0	0	0	0	0
<b>Closing cash balance</b>	<b>73</b>	<b>57</b>	<b>265</b>	<b>165</b>	<b>110</b>

**Key Ratios**

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Per Share Data (Rs)</b>					
EPS	1.37	3.72	-1.89	-7.93	-1.16
BV/Share	14.2	18.5	14.1	29.2	29.7
DPS	0	0	0	0	0
Dividend Payout (%)	0	0	0	0	0
<b>Valuation Ratios</b>					
P/E	434	169	-632	-34	-216
P/BV	10.78	12.2	11.58	7.09	10.44
EV/EBITDA	24.77	28.56	10.87	29.42	23.77
<b>Return Ratios (%)</b>					
RoE	4.8%	10.1%	-2.7%	-39.0%	-4.5%
RoCE	7.5%	12.8%	9.6%	-5.7%	-3.3%
<b>Leverage Ratio (x)</b>					
Current Ratio	0.84	0.83	0.73	0.92	0.92
Quick Ratio	0.3	0.36	0.32	0.47	0.42
Interest Cover Ratio	1.23	1.66	0.93	-0.58	0.62
Net Debt/Equity	1.73	1.22	2.72	0.44	0.45

**Revenue mix across brands**

Revenue Mix (Rs. b)	FY19	FY20	FY21	FY22
Lifestyle brands	43.04	46.26	27.5	45.23
Other brands	6.27	5.2	4.9	7.1
Pantaloons	31.94	35.14	18.6	26.26
Ethnic Wear	0	0.5	0.7	3.1
<b>Consolidated revenue</b>	<b>81.25</b>	<b>87.9</b>	<b>52.5</b>	<b>81.39</b>

**EBITDA & EBITDA Margin trend (Rs in Cr)**

**PAT & PAT margin (Rs in Cr)**


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