

Aditya Birla Fashion & Retail

27 May 2025

Demerger brings focus to ABFRL, but path to profitability still evolving

Aditya Birla Fashion & Retail's (ABFRL) 4QFY25 revenue growth was broadly in line with our estimates while operating performance was better than expected. Revenue grew (Demerged ABFRL+ABLBL) 5.6% YoY to Rs 35.97 bn. EBITDA margin (Demerged ABFRL+ABLBL) grew 590 bps YoY to 14.2% in 4QFY25. Net loss stood (Demerged ABFRL+ABLBL) at Rs 235 mn in 4QFY25 compared to Rs 2.66 bn Net loss in 4QFY24.

Demerged ABFRL: Revenue grew 9.2% YoY to Rs 17.19 bn. EBITDA margin expanded 970 bps YoY to 11.9%. Sharp margin expansion in Pantaloons and Ethnic businesses. Adjusted net loss stood at Rs 1.6 bn compared to net loss of Rs 2.87 bn in 4QFY24. Pantaloons revenue declined by 1% YoY to Rs 8.85 bn. EBITDA margin up 470 bps YoY to 15.1% driven by lower markdowns and cost controls, business is advancing its premiumization strategy. Ethnic revenue grew 19% YoY to Rs 5.64 bn. Excluding TCNS growth stood at 45% YoY. Designer-led brands grew 46% YoY. EBITDA margin up ~700 bps YoY to 10% for Ethnic. Designer-led brands made +20% margins. TMRW online portfolio grew 27% YoY to Rs 1.45 bn. EBITDA margin (loss) stood at -26.1% vs -43.6% in 4QFY24. Luxury retail revenue up 11% YoY to Rs 1.38 bn. Margin at 42.8% in 4QFY25 vs 32.5% margin in 4QFY24.

ABLBL: Revenue grew 2.5% YoY to Rs 18.77 bn in 4QFY25. EBITDA margin expanded 286 bps YoY to 16.4%. Adjusted PAT stood at Rs 1.37 bn in 4QFY25 vs Rs 210 mn in 4QFY24. Lifestyle brands grew 5% YoY to Rs 16.39 bn. 9% retail LTL. Margin at 20% (+50 bps YoY). Other businesses (youth western wear, reebok and innerwear) grew 3% YoY to Rs 3 bn. Margin at 0.6% in 4QFY25 vs -8.8% in 4QFY24.

Debt position: Demerged ABFRL net cash: Rs 9.28 bn (Debt : Rs 14.39 bn, Cash : Rs 23.67 bn). ABLBL net debt: Rs 7.81 bn (Debt: Rs 9.52 bn, Cash : Rs 1.71 bn)

ABFRL shares are now trading "ex-demerger", value has been adjusted to reflect the portion of the business that is being carved out. Existing ABFRL shareholders will get shares of the new company at a 1:1 ratio. For every one share held in ABFRL, will receive one share of Aditya Birla Lifestyle Brands.

Post-demerger, Aditya Birla Fashion and Retail Ltd. (ABFRL) now comprises Pantaloons, the Ethnic portfolio, the Luxury Collective, and the digital-first 'TMRW' brands. The demerged ABFRL offers a well-diversified presence across multiple high-growth segments within the apparel retail space. However, over the past few years, the company's valuations have been adversely impacted by investments in several new ventures that are currently loss-making and yet to achieve operational stability. Following a recent capital raise, debt-related concerns have been largely addressed.

Nonetheless, the medium-term outlook hinges on the profitable scale-up of the value fashion and branded ethnic wear businesses, as well as a turnaround in the digital-first portfolio. The management has articulated ambitious long-term growth and profitability objectives for both the demerged ABFRL and Aditya Birla Lifestyle Brands Ltd. (ABLBL). ABFRL, with its sharpened brand architecture and diversified portfolio, is targeting a threefold increase in revenue and a doubling of margins over the next five years. Meanwhile, ABLBL, backed by a strong brand portfolio, an expansive retail footprint of over 3,200 stores, and healthy free cash flows, aims to double its scale and significantly enhance margins over the same period.

RESULT UPDATE

Sector: Retail Rating: HOLD

CMP: Rs 88 Target Price: Rs 90

Stock Info

Sensex/Nifty 81,551/ 24,826

Bloomberg ABFRL IN

Equity shares (mn) 1,220

52-wk High/Low Rs 122/ 75

Face value Rs 10

M-Cap Rs 107bn/USD 1.3bn

3-m Avg Turnover NA

Financial Snapshot (Rs mn)

Y/E Mar	FY25	FY26E	FY27E
Sales	73,547	83,320	93,798
PAT	-7,674	-4,979	-3,365
EPS (Rs)	(6.3)	(4.1)	(2.8)
PE (x)	(14.0)	(21.6)	(31.9)
EV/EBITDA (x)	16.9	14.1	11.5
P/BV (x)	1.6	1.7	1.8
EV/Sales	1.6	1.4	1.3
RoE (%)	-13.3%	-7.6%	-5.5%
RoCE (%)	-2.3%	-1.2%	0.3%
NWC (days)	29	28	35
Net gearing (x)	0.2	0.2	0.3

Shareholding Pattern (%)

	Mar 25	Dec 24	Sept 24
Promoter	46.6	49.2	49.3
-Pledged	-	-	-
FII	22.2	18.4	19.7
DII	14.7	14.6	14.8
Others	16.6	17.9	16.3

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Achieving sustained profitability and delivering on these stated targets will be critical to any potential upgrade. While newer segments are showing signs of improvement, growth in the core portfolio remains subdued, and the broader demand environment continues to be challenging. For the demerged ABFRL business, we have built in revenue/ EBITDA CAGR of 12.9%/ 22.9% over FY25-FY27E respectively. Until the overall demand situation gets better, we do not anticipate a notable recovery at the PAT level. We maintain our HOLD rating on the stock with a target price of Rs 90. We value the stock on SOTP based method, we ascribe 10x EV/EBITDA to Pantaloons, 1x EV/ Sales to Ethnic business, 0.5x EV/ Sales to TMRW (the online portfolio) and other businesses on Mar 2027E respectively.

Earnings call takeaways

Key developments

- **Successful demerger and formation of two entities:**

The demerger has resulted in the creation of ABLBL and the demerged ABFRL, enabling both to operate with focused strategies tailored to their respective brand portfolios and business models.

- **Share allotment and listing of ABLBL:**

ABLBL's board has allotted shares to eligible ABFRL shareholders in line with the record date. The shares are expected to be credited within the next 2–3 days, with listing of ABLBL anticipated by the end of June 2025.

- **Capital raise:**

A total of USD 490 mn in equity capital was raised via QIP and preferential issuance in Q4 FY25. This has significantly strengthened the balance sheet of the demerged ABFRL.

- **Macroeconomic context:**

Despite persistent macroeconomic headwinds impacting discretionary consumer spending during Q4 FY25, the business exhibited resilience by focusing on profitable growth and disciplined execution.

Aditya Birla Lifestyle Brands Limited (ABLBL)

Financial Performance

- **Q4 FY25:**

- Like-for-like (L2L) retail growth in the high single digits
- Normalized revenue: Rs19.42 bn, +3% YoY
- EBITDA: Rs 3.3 bn, +18% YoY
- Normalized EBITDA margin (ex-demerger impact): 17% (+200 bps YoY)

- **FY25:**

- Normalized revenue: Rs 78.3 bn
- Normalized EBITDA margin: 16.2% (+100 bps YoY)
- Normalized PAT (adjusted): Rs 2.5 bn (vs reported Rs 1.68 bn)

Segment highlights

- **Lifestyle Brands:**

- Industry-leading retail L2L growth: 9% in Q4, following 12% in Q3
- Revenue: Rs 16.39 bn, +5% YoY
- EBITDA margin expanded 50 bps to 20%
- Multiple brands crossed Rs 10 bn revenue, with two exceeding Rs 20 bn

- **Other Businesses (Reebok, American Eagle, Van Heusen Innerwear):**

- 3% revenue growth in Q4
- Positive EBITDA despite temporary impact from Forever 21 offline store closures
- American Eagle maintained double-digit growth; Reebok also growing with profitable expansion
- Van Heusen Innerwear progressing toward profitability

Strategic Outlook

- **Retail expansion:**

ABLBL plans to open over 300 net new stores across its brand portfolio in FY26, with ~200 stores funded via internal capex and the remainder through partnerships.

- **Capital expenditure:**

Estimated capex for FY26 is Rs 2.5 bn, focused on retail rollout. Factory-related capex is largely complete.

- **Financial position:**

Post-demerger, ABLBL holds a stable, high-margin core business alongside a high-growth emerging portfolio. Net debt stands at Rs 7.81 bn, with repayment targeted over the next 2–3 years. ABLBL also aims to begin distributing dividends at the earliest feasible opportunity.

Aditya Birla Fashion and Retail Limited (ABFRL – Demerged Entity)**Financial Performance**

- **Q4 FY25:**

- Revenue: Rs 17.19 bn, +9% YoY
- Comparable EBITDA: Rs 1.99 bn, +103% YoY
- Reported EBITDA: Rs 2.95 bn (including Rs 970 mn one-time gain from inter-division adjustments post-demerger)
- EBITDA margin: 17.2%

- **FY25:**

- Revenue: Rs 73.55 bn, +14% YoY
- Comparable EBITDA margin: 10.3% (+220 bps YoY)

- **Cash Position:**

Consolidated cash balance of Rs 23.5 bn, considered sufficient to meet expansion, working capital, and potential loss coverage for the next two years.

Segmental Performance

- **Pantaloon:**

- Revenue: Rs 8.85 bn in Q4 (-1% decline), impacted by 50+ store closures over 15 months
- EBITDA margin: 15.1% (+480 bps YoY), marking 6 consecutive quarters of improvement
- Key drivers: lower markdowns, increased private label mix, and operational cost optimization
- FY26 store addition plan: 15–20 new stores
- Targeting further 300 bps margin improvement in the next few years

- **Style Up (Value Retail):**

- Expanded to 46 stores (7 added in Q4)
- 70% revenue growth in FY25
- Plans to scale to over 300 stores within 3 years; funding secured through recent capital raise

- **Ethnic business:**

- Revenue in Q4: Rs 5.64 bn, +90% YoY
- EBITDA margin: 10.1% (+700 bps YoY)
- FY25 revenue: Rs 19.56 bn
- With peak losses behind, further scaling is expected to drive profitability
- Designer Ethnic Portfolio (Sabyasachi, Tarun Tahiliani, Masaba, Shantanu & Nikhil): Q4 revenue growth: >46% YoY, EBITDA margin: >20%, Sabyasachi remains highly profitable with plans for ~20% organic growth over 4–5 years

- **Tasva:**

- 50% YoY revenue growth; 12% L2L growth in Q4
- ~70-store network, targeting 200+ stores over the next 3 years
- Store-level profitability remains strong

- **TCNS:**

- Revenue declined in Q4 due to distribution rationalization
- 4% L2L growth for FY25
- Rationalization nearly complete
- Significant EBITDA improvement expected in FY26; pre-IndAS EBITDA positive by FY27

- **Luxury Retail (The Collective):**

- Q4 revenue growth: 11%, led by e-commerce
- Continues to deliver double-digit growth and steady margin improvement

- **Digital-First Brands (TMRW):**
 - Q4 growth: 27% YoY
 - Margin profile improved
 - Exploring external investment; decision expected in FY26
 - Profitability expected post-FY27
 - Strategic and financial outlook
- **Profitability goals:**
 - Targeting 2x EBITDA margin expansion over 5 years. Improvements expected by turning around currently loss-making businesses (e.g., TCNS, Tasva, TMRW). ABFRL (excluding TMRW) aims to be EBITDA-positive in FY26. All other business segments expected to be profitable by FY27.
- **Capital expenditure:**
 - FY26 estimated capex: Rs 5 bn (including Rs 1 bn for Galeries Lafayette); sustainable annual capex: ~Rs 4 bn
- **Working capital:**
 - Negative working capital profile, with Pantaloons operating at near-zero or negative net working capital—offsetting higher requirements in other segments.
- **Debt profile:**
 - ABFRL maintains long-term loans contracted at favorable rates. Despite holding substantial cash reserves, loans will remain on the books due to advantageous terms and lender preferences. Finance charges are expected to decline materially in FY26.

Overall outlook for both entities

- **ABLBL:**

With a strong brand portfolio, over 3,200 stores, and robust free cash flows, ABLBL is positioned to double in scale and expand margins meaningfully over the next 5 years.
- **ABFRL:**

With a sharpened brand mix and diversified portfolio, ABFRL aims to triple its revenue and double margins over the next 5 years.
- **Near-term demand trends:**

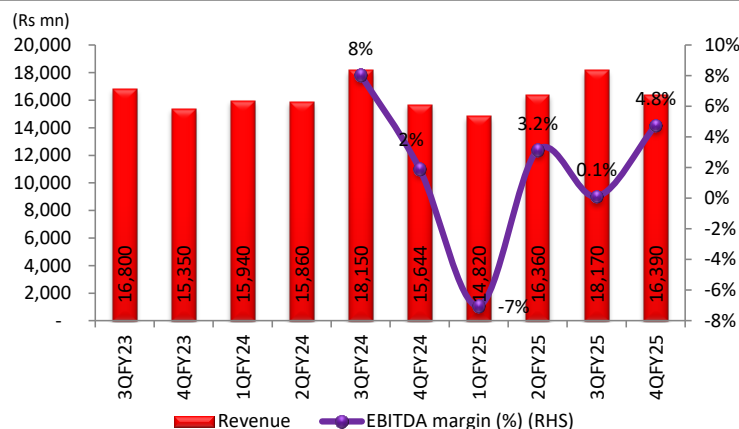
Consumer demand trends in April and May remained broadly consistent with Q4, with certain businesses benefiting from seasonal wedding-related demand.

Exhibit 1: Quarterly performance

YE March (Rs mn)	4QFY25	4QFY24	3QFY25	YoY (%)	QoQ (%)
Net Revenues	17,195	15,751	22,005	9.2	(21.9)
RM Costs	1,849	606	1,120	205	65.1
(% of sales)	10.8	3.8	5.1		
Purchase of traded goods	4,482	6,528	8,382	(31.3)	(46.5)
(% of sales)	26.1	41.4	38.1		
Employee cost	2,822	2,751	3,179	2.6	(11.2)
(% of sales)	16.4	17.5	14.4	-105 bps	
Rent	385	638	604	(39.7)	
(% of sales)	2.24%	4.05%	2.75%	-181 bps	
Others	5,609	4,879	5,704	15.0	(1.7)
(% of sales)	32.6	31.0	25.9	164 bps	
EBITDA	2,049	349	3,017	486.6	(32.1)
EBITDA margin (%)	11.9	2.2	13.7	970 bps	
Other income	959	571	349	67.8	174.5
PBITD	3,008	921	3,366	226.7	(10.6)
Depreciation	3,016	2,874	3,007	4.9	0.3
Interest	1,434	1,520	1,507	(5.7)	(4.9)
PBT	(1,442)	(3,474)	(1,148)		
Tax	113	(544)	(178)		
ETR (%)	(7.9)	15.7	15.5		
Adjusted PAT	(1,555)	(2,930)	(970)		
PATAMI margin	(9.0)	(18.6)	(4.4)		
Extraordinary income/ (exp.)	-	-	-		
P&L of associates & Minority	(54)	56	(89)		
Reported PAT	(1,609)	(2,874)	(1,059)		
No. of shares (mn)	1,220	1,015	1,071		
Adj EPS (Rs)	(1.27)	(2.89)	(0.91)		

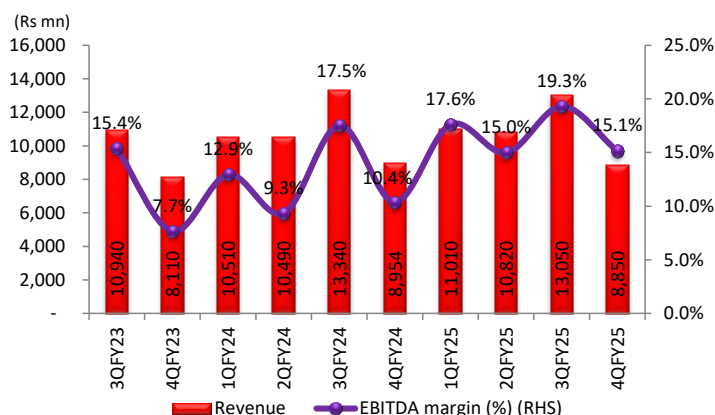
Source: Company, Systematix Institutional Research

Exhibit 2: Lifestyle Brands' sales growth 4.8% YoY



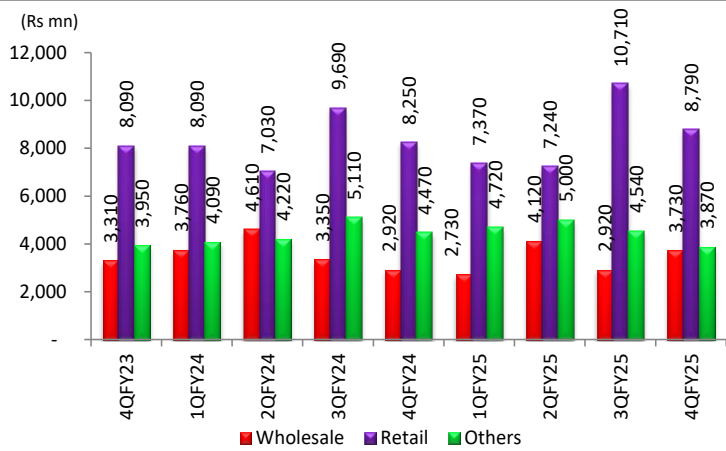
Source: Company, Systematix Institutional Research

Exhibit 3: Pantaloon's sales growth dropped by 1.2% YoY



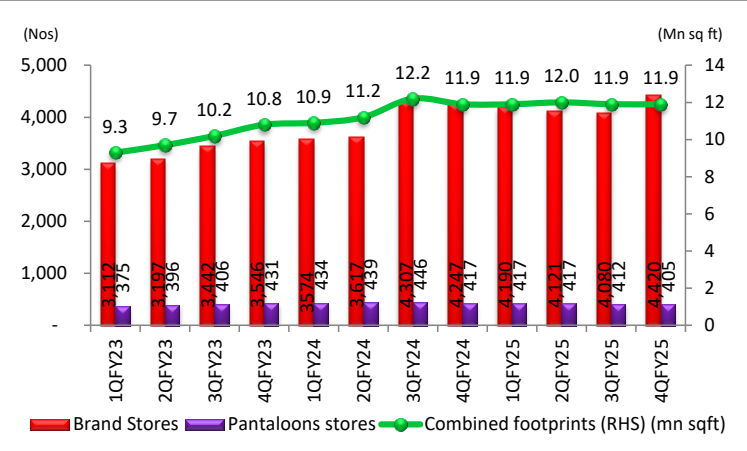
Source: Company, Systematix Institutional Research

Exhibit 4: Year on year increase 28% in wholesale



Source: Company, Systematix Institutional Research

Exhibit 5: Retail area stood at 11.9mn sq.ft in 4Q25



Source: Company, Systematix Institutional Research

Exhibit 6: Valuation Summary

Segment (Rs bn)	EBITDA/ Sales (Mar 27E)	Valuation Metrics	Multiple (x)	Value (Rs bn)	Per share (Rs)
Pantaloon	9	EV/ EBITDA	10	87	72
Ethnic wear (Sales)	29	EV/Sales	1	24	20
TMRW (Sales)	10	EV/Sales	0.5	5	4
Others (Sales)	6	EV/Sales	0.5	3	3
Target EV of company				120	99
(-) Net Debt				- 11	-9
Target Price				109	90

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Net Sales	64,415	73,547	83,320	93,798
RM costs/inventories	30,936	31,771	38,077	42,397
Gross Profits	33,479	41,777	45,243	51,401
Employee costs	10,061	11,422	12,041	13,433
Rental costs	2,312	2,052	2,163	2,413
Other costs	17,406	21,539	22,706	25,331
Total Expenses	60,715	66,783	74,988	83,574
EBITDA	3,700	6,764	8,332	10,224
Depreciation	10,169	11,664	11,866	12,177
Other income	1,377	1,957	2,114	2,283
EBIT	(5,092)	(2,943)	(1,421)	330
Interest cost	5,517	5,674	4,963	4,699
PBT	(10,608)	(8,617)	(6,384)	(4,370)
Taxes	(1,411)	(942)	(1,404)	(1,005)
Adj. PAT	(9,198)	(7,674)	(4,979)	(3,365)
Minority/ Share of associates	(54)	(179)	-	-
Extraordinaries	-	(1,612)	-	-
Reported PAT	(9,252)	(6,242)	(4,979)	(3,365)
Diluted No. of shares (mn)	1,015	1,220	1,220	1,220
Adj. EPS	(9.06)	(6.29)	(4.08)	(2.76)

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E
PBT	(8,289)	(4,874)	(6,384)	(4,370)
Add: Depreciation	16,552	18,074	11,866	12,177
Add: Interest	8,766	9,494	4,963	4,699
Less: taxes paid	(431)	(359)	1,404	1,005
Add: other adjustments	(1,512)	(3,116)	-	-
Less: WC changes	(1,673)	(2,782)	(3,036)	(2,603)
Total OCF	13,414	16,438	8,814	10,909
Operating CF w/o WC changes	11,742	13,657	5,778	8,307
Capital expenditure	(7,411)	(5,927)	(4,350)	(3,595)
Other	(16,085)	(1,274)	-	-
Change in investments	(6,683)	(9,071)	(3,000)	(3,000)
Interest/Dividend received	263	155	-	-
Total ICF	(29,916)	(16,117)	(7,350)	(6,595)
Free Cash Flows	6,003	10,512	4,464	7,314
Share issuances	14,360	41,900	-	-
Payment of lease liability	(14,289)	(16,151)	-	-
Change in borrowings	17,873	(18,158)	300	300
Dividends	-	-	-	-
Interest payment	(3,828)	(4,254)	(4,963)	(4,699)
Others	-	-	-	-
Total FCF	14,116	3,337	(4,663)	(4,399)
Net change in cash	(2,387)	3,658	(3,199)	(85)
Opening cash & CE	6,927	4,010	7,668	4,469
Closing cash & CE	4,540	7,668	4,469	4,384

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Equity capital	10,150	12,203	12,203	12,203
Reserves and surplus	36,946	55,930	50,951	47,586
Total Equity	47,096	68,133	63,154	59,789
Total Debt	42,052	14,386	14,686	14,986
Lease liabilities	52,462	35,782	35,932	36,037
Other long term liabilities	18,284	15,361	15,361	15,361
Total sources	1,59,895	1,33,662	1,29,132	1,26,173
Net Block/ ROU asset	58,189	40,125	35,759	27,281
Net deferred tax	(38)	(1,543)	(1,543)	(1,543)
Other assets	9,199	5,795	5,795	5,795
Intangibles	62,309	55,861	55,861	55,861
Investments	9,848	17,491	17,491	20,491
Cash	4,624	7,731	4,531	4,446
Inventories	45,053	24,544	27,621	31,609
Debtors	12,828	3,734	4,337	5,397
Other Current assets	15,853	8,659	11,159	11,159
Current Assets	73,735	36,937	43,117	48,164
Creditors	41,313	22,423	25,567	28,011
Other Current Liabilities	16,658	6,312	6,312	6,312
Current Liabilities	57,971	28,735	31,878	34,322
Net Working Capital	15,764	8,202	11,239	13,841
Total Uses	1,59,895	1,33,662	1,29,132	1,26,173

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E
Yoy growth in Revenue	na	14.2%	13.3%	12.6%
Yoy growth in EBITDA	na	82.8%	23.2%	22.7%
Yoy growth in Net income	na	-16.6%	-35.1%	-32.4%
Effective tax rate	13.3%	10.9%	22.0%	23.0%
EBITDA margin	5.7%	9.2%	10.0%	10.9%
PAT margin	-14.3%	-10.4%	-6.0%	-3.6%
ROACE	-3.6%	-2.3%	-1.2%	0.3%
ROAE	-19.5%	-13.3%	-7.6%	-5.5%
Net debt to equity (x)	0.9	0.2	0.2	0.3
Inventory days	255	122	121	123
Debtor days	73	19	19	21
Payable days	234	111	112	109
NWC days	94	29	28	35
Per share numbers (Rs)				
Reported earnings	(9.11)	(5.12)	(4.08)	(2.76)
Dividend	-	-	-	-
Free cash	5.9	8.6	3.7	6.0
Book Value per share	46.4	55.8	51.8	49.0
Capital Employed	1,41,610	1,18,301	1,13,771	1,10,812
Valuations (x)				
Price to diluted earnings	(9.7)	(14.0)	(21.6)	(31.9)
EV / EBITDA	39.1	16.9	14.1	11.5
Price to sales	1.7	1.5	1.3	1.1

Source: Company, Systematix Institutional Research

DISCLOSURES/APPENDIX

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Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

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HOLD (H): The stock's total return is expected to be within -15% to +15% over the next 12 months.

SELL (S): The stock's total return is expected to give negative returns of more than 15% over the next 12 months.

NOT RATED (NR): The analyst has no recommendation on the stock under review.

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ATTRACTIVE (AT): Fundamentals/valuations of the sector are expected to be attractive over the next 12-18 months.

NEUTRAL (NL): Fundamentals/valuations of the sector are expected to neither improve nor deteriorate over the next 12-18 months.

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