

Result Update

Q4 FY25

Aditya Birla Fashion and Retail Ltd.

Institutional
Research

Aditya Birla Fashion and Retail Ltd.

Speciality Retail | Q4FY25 Result Update

29th May 2025

Margin expands despite moderate revenue growth amid weak demand scenario

The demerger of ABFRL was successfully completed, with effect from May 1, 2025. Aditya Birla Lifestyle Brands Limited (ABLBL), who leverage a strong brand portfolio, is expected to be listed separately by the end of June. In Q4FY25, the demerged Aditya Birla Fashion & Retail Ltd. (ABFRL) achieved a 9.2% YoY revenue growth, reaching Rs. 17,195 million, driven by strong performance in Ethnic, TMRW and Luxury portfolio. Revenue for the Pantaloons business declined by 1% YoY due to the impact of the closure of over 50 stores in the last 15 months, with the intention of shifting its focus to Metro and Tier 1 cities, which offer high growth potential. During the quarter, the pantaloons added six stores while closing 13 stores. At the same time, Pantaloons' EBITDA margin expanded by 470 bps to 15.1% in Q4FY25. The company's overall Ethnic business saw a revenue growth of 19% YoY to Rs. 8,470 million, primarily led by designer brands. The company's consolidated EBITDA for the quarter grew by 486% YoY to Rs. 2,049 million, with an EBITDA margin of 11.9%, expanding by 970 bps due to sharp margin expansion in Pantaloons and Ethnic segments. However, the company posted a net loss of Rs. 1,609 million in Q4FY25, narrowing the loss from Rs. 2,874 million in Q4FY24. Additionally, post-fundraise in Q4FY25, de-merged ABFRL closed its books with a gross cash balance of approximately Rs. 2,350 Cr.

Valuation and Outlook

ABFRL, a company within the Aditya Birla group that operates a branded apparel business, successfully completed the demerger, effective May 1, 2024. Following the demerger, there are two companies: Aditya Birla Lifestyle Brands Limited (ABLBL), which is expected to be listed by the end of June, which comprise Lifestyle brands, American Eagle, Van Heusen, and Reebok, and the demerged ABFRL, includes Pantaloons, as well as Designer Ethnic brands such as Sabyasachi, MASABA, Tarun Tahiliani, and TMRW. The demerged ABFRL managed to register revenue growth of 9% year-over-year (YoY), despite challenging consumer demand, while incurring a loss due to higher borrowing costs. Although revenue growth was modest this quarter, the demerged ABFRL's margin expanded sharply due to margin expansion in the Pantaloons and Ethnic segments. The company's strategy emphasises improving margins rather than just pursuing revenue growth. The company is strategically expanding its Pantaloons outlet in metro and tier 1 cities, providing potential for high growth in the coming years. This strategy enables the company not only to improve its market presence but also to maintain its profitability growth. Looking ahead, post-merger, the company has set an ambitious growth plan to triple its sales and double its EBITDA margin, driven by premiumization in Pantaloons and operational leverage through scaling up its Ethnic business. Furthermore, the company's recent fund raise has strengthened its balance sheet with a gross cash balance of approximately Rs. 2,350 crores, positioning demerged ABFRL well to pursue its ambitious growth plan. However, the near-term outlook remains challenging due to weak consumer demand; however, strategic initiatives, such as entering high-growth potential markets, position the company for long-term growth.

Key Highlights

Particulars (Rs. Mn)	Q4FY25	Q3FY25	Q4FY24	YoY (%)	QoQ (%)
Net Sales	17,195	22,005	15,751	9.2%	-21.9%
COGS	6,330	9,502	7,134	-11.3%	-33.4%
Gross Profit	10,865	12,504	8,617	26.1%	-13.1%
Gross margin (%)	63.2%	56.8%	54.7%	848 bps	636 bps
EBITDA	2,049	3,017	349	486.6%	-32.1%
OPM (%)	11.9%	13.7%	2.2%	970 bps	-179 bps
Net Profit	-1,609	-1,059	-2,874	NM	NM

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	88
BSE code	535755
NSE Symbol	ABFRL
Bloomberg	ABFRL IN
Reuters	PNTA.BO

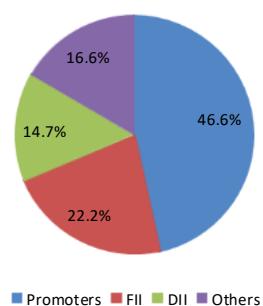
Key Data

Nifty	22,933
52 Week H/L (Rs.)	364/86
O/s Shares (Mn)	1,220
Market Cap (Rs. bn)	107
Face Value (Rs.)	10

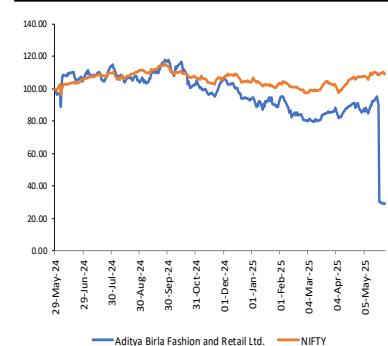
Average Volume

3 months	38,09,330
6 months	33,47,730
1 year	44,48,700

Share Holding Pattern (%)



Relative Price Chart



Note: The adjusted share price of the demerged ABFRL and the newly listed ABLBL is expected to be available by the end of June 2025.

Research Analyst

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Key Concall Highlights

- The industry scenario during the quarter continued to witness headwinds arising from weak consumer demand.
- Despite this challenging environment, the demerged ABFRL registered a revenue growth of 9%, while improving profitability.
- Pantaloons' revenue declined by 1% YoY due to the impact of store closures.
- Pantaloons is being repositioned from value retail to a mid-premium segment, with a strategic focus on metros and Tier I cities. In the past 15 months, Pantaloons closed 50+ stores. During the quarter, Pantaloons added six new stores and closed 13 stores.
- The company added seven Style Up stores in Q4FY25, bringing its total to 46 stores. Further, the management plans to add 40 to 50 stores in FY26.
- The capex for FY26 was guided to be around Rs. 500 crores.
- There was a one-time adjustment of Rs. 97 crores for writing up of inventories in line with the purchase price of Pantaloons.
- The company expects to see significant EBITDA improvement in FY26, with the TCNS portfolio projected to turn pre-Ind AS EBITDA positive by FY27.

"At the end of March 2025, the demerged ABFRL has a cash balance of Rs. 2,367 crores. This will further enable the company to execute its growth plan."

"ABBLB is expected to be listed by the end of June, and the shares of the same are to be credited to all the eligible shareholders' accounts within the next two to three days."

Key Financials						
YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	81,362	1,24,179	1,39,959	73,547	1,31,896	1,50,089
Growth %	55.0%	52.6%	12.7%	-47.5%	79.3%	13.8%
EBIDTA	10,999	15,017	14,656	12,559	15,316	18,239
Growth%	98.0%	36.5%	-2.4%	-14.3%	22.0%	19.1%
Net Profit	-1,184	-595	-7,359	-6,242	-3,778	-2,357
Growth %	NM	NM	NM	NM	NM	NM
Diluted EPS	-1.2	-0.4	-6.5	-4.5	-2.4	-1.4
Profitability & Valuation						
EBIDTA (%)	13.5%	12.1%	10.5%	17.1%	11.6%	12.2%
NPM (%)	-1.5%	-0.5%	-5.3%	-8.5%	-2.9%	-1.6%
ROE (%)	NM	NM	NM	NM	NM	NM
P/E (x)	NM	NM	NM	NM	NM	NM
Market Cap/Sales (x)	1.2 x	0.8 x	0.7 x	1.4 x	0.8 x	0.7 x

Source: Company, Bloomberg

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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