

**Aditya Birla Fashion**

₹ 152

**Brands!, Brands!! & Brands !!!****Buy**

Sep 02, 2016

**Company Background**

Aditya Birla Fashion & Retail Ltd (ABFRL) was formed in May 2015 after the consolidation of the branded apparel businesses of Aditya Birla Group comprising Madura Fashion division and Pantaloons Fashion and Retail and Madura Fashion & Lifestyle. ABFR brings together the learnings and businesses of two renowned Indian fashion icons, Madura Fashion & Lifestyle and Pantaloons Fashion & Retail. The consolidation created India's largest pure play Fashion and Lifestyle Company with a strong bouquet of leading fashion brands and retail formats bringing India's #1 branded menswear and womenswear players together. ABFR is India's # 1 Fashion Lifestyle entity with a combined revenue of Rs.6,060 crore for FY16, growing at a rate in excess of 25% and EBITDA of Rs.409 crore for FY16 that has been surging at an impressive rate of almost 30 % over the last five years. The company houses comman on over 120 brands both domestic and global and has names like Louis Philippe, Van Heusen, Allen Solly, Peter England in its fold. It has also deviated from core apparell category and extended its brands to new categories – including sportswear, footwear, bags and accessories

**Key Highlights**

- ➔ The Brand bouquet of ABFR contains top most brands in India including Louis Philippe, Van Heusen, Allen Solly, Peter England, Alto Moda, Annabelle, Chalk, Chirpie Pie, Honey, Izabel London, Poppers, Richard Parker, Trishaa, Urban Eagle; besides, it also features brands licensed on a long- term basis: Bare, Rig, SF Jeans, Byford, JM Sports, Lombard & Candie's New York.
- ➔ Louis Philippe , Van Heusen, Allen Solly, and Peter England are the top 4 brands each of which has already clocked MRP sales of INR 10 bn in past.
- ➔ Pantaloons is today the fastest growing large format retailer in the country. The rate of new store openings has increased from one every two months to one every two weeks. The brand is now present in 78 Indian cities/towns.
- ➔ ABFRL has products with a strong brand recall and Pantaloons has also been voted India's Most Trusted Apparel Retail Brand in 2015. It enjoys a loyal customer base of over 5 mn and runs its own four-tier loyalty programme.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	16,663.4	18,535.1	60,726.6
Rev. growth (%)	23.58	11.23	227.63
EBITDA (INR mn)	1,384.1	506.1	775.9
Net profit (INR mn)	(1,877.3)	(2,281.4)	(1,041.4)
Shares outstanding (mn)	93.3	93.3	773.1
EPS (INR)	0.0	0.0	0.0
EPS growth (%)	-	-	-
P/E (x)	-	-	-
RONW (%)	0.00	0.00	0.00
ROCE (%)	0.00	0.00	0.00

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**Info Codes**

Reuters	: ADIA.BO
Bloomberg	: ABFRL:IN
NSE	: ABFRL
BSE	: 535755

**Market Data**

52 Wk Range (₹)	: 124 / 263
Shares in Issue (mn)	: 773.1
Mkt. Cap (₹ bn)	: 116.74
BSE 2 Wk Avg Vol	: 859000

**Share Holding Pattern (%)**

Promoters Holding	: 59.46
Corporate Holding	: 3.97
Domestic Institution	: 14.68
Foreign Institution	: 12.23
Public & Others	: 9.67

**Investment Theme**

Apparel and accessories have caught up as a status symbol with the upper class and the middle class Indian for the last few years. As the disposable income with an average Indian increases & so does his purchasing power the growth in the scrip which has already started to tick in would become more and more evident. The company is focussing on increasing its reach by targeting Tier I and Tier II cities where it is increasing brand outlets. It has also started online sales to compete with the online retailers. The overall focuss of the company currently is to use the maximum portion of revenue to gain the most visibility in the crowd to increase brand recognition and recall. This is also turning more favourable with revenues growing at 25%. The floating stock of the company also can cause quick growth in the prices when bottomline starts turning positive.

**Buy after checking your shirt's label.**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	16,612.1	18,507.3	11.4	60,600.5	227.4
Other Income	51.3	27.8	(45.8)	119.5	329.9
Change in Stocks	375.0	644.2	71.8	2,322.1	260.5
Raw Material Con.	9,897.6	10,649.8	7.6	29,871.2	180.5
Employee Exp.	1,497.1	1,836.9	22.7	5,968.9	224.9
Indirect Taxes	0.0	0.0	-	6.6	-
Other Exp.	5,137.6	5,916.7	15.2	23,016.5	289.0
Operating Exp.	16,532.3	18,403.4	11.3	58,863.2	219.8
Operating Profit	506.1	775.9	53.3	4,178.9	438.6
Total Interest	1,293.4	1,222.8	(5.5)	1,840.0	50.5
Gross Profit	(787.3)	(446.9)	(43.2)	2,338.9	(623.4)
Net Dep.	1,090.0	1,834.5	68.3	3,380.3	84.3
Total Taxation	0.0	0.0	-	0.0	-
Net Profit/Loss	(1,877.3)	(2,281.4)	21.5	(1,041.4)	(54.4)

### 4 Years Balance Sheet

(₹ mn)

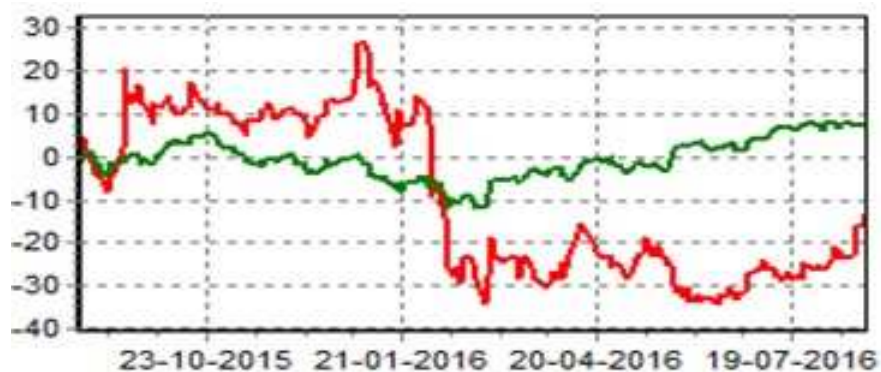
Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>SOURCES OF FUNDS</b>	<b>25,389.7</b>	<b>16,784.0</b>	<b>17,168.7</b>	<b>29,016.6</b>
Equity Share capital	10.1	933.0	933.0	7,731.3
Equity Application Money	8,463.2	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	(778.0)	4,861.7	2,522.7	1,705.7
Secured Loans	7,434.9	7,504.6	7,126.5	8,857.2
Unsecured Loans	10,259.5	3,484.7	6,586.5	10,722.4
<b>USES OF FUNDS</b>	<b>25,389.7</b>	<b>16,784.0</b>	<b>17,168.7</b>	<b>29,016.6</b>
Gross Block	18,808.0	19,836.1	20,980.1	36,190.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	2,435.4	3,504.4	5,186.6	12,973.4
Net Block	16,372.6	16,331.7	15,793.5	23,217.1
Capital Work in Progress	135.5	248.5	37.7	253.5
Investments	8,000.0	59.9	0.0	0.0
Current Assets	3,689.2	4,122.7	4,777.2	19,993.4
Less : Current Liabilities	3,433.1	4,748.3	4,255.8	17,167.7
Total Net Current Assets	256.1	(625.6)	521.4	2,825.6
Misc. Expenses not writtenoff	625.5	769.5	816.1	2,720.3
<b>NOTE</b>				
Book Value of Unquoted Investments	8,000.0	59.9	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	0.4	61.8	110.2	381.2
Dividend (%)	0.0	0.0	0.0	0.0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 15	Sep 15	Dec 15	Mar 16
Net Sales	4,337.0	16,586.4	16,169.3	14,309.9
Cost Of Sales	4,360.1	15,089.5	15,277.4	13,493.0
Operating Profit	(23.1)	1,496.9	891.9	816.9
Other Income	62.3	145.0	133.3	139.3
Adjusted PBDIT	39.2	1,641.9	1,025.2	956.2
Financial Expenses	334.4	434.7	401.8	435.1
Depreciation	435.7	594.3	549.1	1,619.3
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(730.9)	612.9	74.3	(1,098.2)
Tax Charges	0.0	0.0	0.0	0.0
Reported Profit	(730.9)	612.9	74.3	(1,098.2)
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	(730.9)	612.9	74.3	(1,098.2)

## 52 Week Index Relative Percentage Appreciation



ABFR vs SENSEX

## Risks Associated

## ➔ Slowdown in the Indian Economy

The business performance of the company is in high correlation with the economy. Any slowdown in Indian economy may, in turn, affect the consumer spending and therefore, business growth and profitability.

## ➔ High Dependence on Real Estate

The fashion retail industry is heavily dependent on availability of quality retail space at marquee locations at affordable rentals. Non-availability of retail space in timely or cost effective manner and at right location may hamper the business growth and profitability.

## ➔ Intensifying Competition

Given the growth potential of Indian apparel retail market, many global brands have entered in Indian market. Relaxation in FDI norms is likely to further intensify the competition. Further, we expect trends of increasing e-commerce penetration to continue, as market players continue to drive sales through aggressive promotions and advertising.

## ➔ Attracting &amp; Retaining Talent

Human capital is the key to the growth of the business. The loss of key personnel or any inability to manage the attrition levels in different employee categories may impact the business and ability to grow.

**In a Nutshell**

The merger of Madura Fashion division, Pantaloons Fashion and Retail and Madura Fashion & Lifestyle has created India's largest pure play Fashion and Lifestyle Company with a strong bouquet of leading fashion brands and retail formats bringing India's #1 branded menswear and womenswear players together. The growth in the entity is evident by the numbers it has been generating over the last few years. The company has control over nearly 120 plus brands some of the most renowned ones are Louis Philippe, Van Heusen, Allen Solly, Peter England, Alto Moda, Annabelle, Chalk, Chirpie Pie, Honey, Izabel London, Poppers, Richard Parker, Trishaa, Urban Eagle, Ginny Johnny along with some licensed foreign brands too. ABFR has a vast retail network comprising exclusive outlets, premium multi-brand and department stores and Pantaloons also enjoys the status of 'India's Most Trusted Apparel Retail Brand. They have been vigorously after expansion and the rate of new store openings has increased from one every two months to one every two weeks. The brand is now present in 78 Indian cities/towns. It has expertise in core apparel business across categories of casual wear, ethnic wear, formal wear, party wear and active wear for men, women and kids and is also entering Non-apparel products include footwear, handbags, cosmetics, perfumes, fashion jewellery and watches. The reach it provides to the customer is its most important aspect. With the growth of the disposable income and purchasing power expected with the middle class in India in years to come and with the apparel being closely associated as a status symbol, the scrip may appreciate the most in its category.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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